



Notice of Annual Meeting
and Proxy Statement

2026

Annual Meeting
of Stockholders

Letter to our Stockholders

Dear Fellow Stockholders:

You are cordially invited to attend Shore Bancshares, Inc.'s virtual Annual Meeting on **Wednesday, May 20, 2026**. This meeting is an opportunity to reflect on our progress, outline our strategic direction, and reaffirm the partnership we share with you as owners.

The past year marked a period of meaningful acceleration for Shore Bancshares. Even against a volatile economic backdrop, we delivered solid performance, strengthened our operating foundation, and advanced several long-term priorities. We achieved nearly **5% core deposit growth**, expanded our net interest margin, and maintained rigorous expense discipline — all while making strategic investments in a more scalable, future-ready infrastructure. These efforts contributed to an **ROA above 1%** in the fourth quarter and steady growth in capital.

These results are driven by an exceptional team. Their resilience, client focus, and commitment to execution continue to move our company forward. We also deepened the strength of our leadership with three key additions: **Charlie Cullum** as Chief Financial Officer, **Noah Stayton** as Chief Information Officer, and **Aaron Kaslow** as Chief Legal Officer. Each brings capabilities and perspective that will help us scale with confidence and operate with greater strategic clarity.

We are deeply appreciative of our Board of Directors for their steady guidance and oversight, and of you — our stockholders — for your continued confidence in our path ahead.

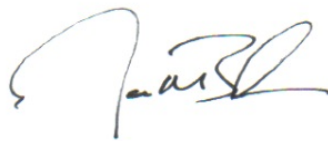
As we look to 2026 and beyond, our strategy is deliberate and aligned with the environment. While economic uncertainty persists, our priorities are clear. We are focused on **Data, Deposits, People, and Process Improvement** — four pillars that will strengthen our balance sheet, deepen client relationships, improve profitability, and expand long-term strategic optionality. Our team is aligned, energized, and committed to executing with discipline.

Thank you for your partnership and for the trust you place in Shore Bancshares. Our momentum is building, and we are confident that the opportunities ahead are even greater than those behind us.

With appreciation,



Alan Hyatt
Chairman of the Board



James M. Burke
President and Chief Executive Officer

April 8, 2026



18 E. Dover Street
Easton, Maryland 21601

Notice of 2026 Annual Meeting of Stockholders

Meeting Information

Date and Time	Access
Wednesday, May 20, 2026 9:00 a.m., Eastern Time	The 2026 annual meeting of stockholders will be held live via the internet in a virtual format. Stockholders may participate by logging in at www.virtualshareholdermeeting.com/SHBI2026 . You will not be able to attend in person.
Record Date March 23, 2026	

Meeting Agenda

- Elect five Class II directors to serve until the 2029 annual meeting of stockholders
- Vote, on an advisory basis, to approve the compensation of the named executive officers
- Ratify the appointment of Crowe LLP as the company's independent registered public accounting firm for 2026
- Transact such other business as may properly come before the meeting

Your Vote Is Very Important

Please submit your proxy as soon as possible by internet, telephone, or mail. Submitting your proxy by one of these methods will ensure your representation at the annual meeting regardless of whether you attend the meeting. Instructions for voting by internet or telephone can be found on your proxy card or voting instruction form.

By Order of the Board of Directors,

A handwritten signature in black ink, appearing to read "Aaron Kaslow", is displayed within a light gray rectangular box.

Aaron M. Kaslow
Secretary and Chief Legal Officer
April 8, 2026

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to Be Held on May 20, 2026:

The proxy statement and our 2025 Annual Report on Form 10-K are available on our corporate website at <https://shorebancshares.com>.

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Proxy Summary

Shore Bancshares, Inc. is the holding company for Shore United Bank, N.A. (Shore United Bank). Shore United Bank is a full-service financial institution serving customers in Maryland, Delaware, and Virginia. Our mission is to help our communities prosper, one dream at a time.

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider in deciding how to vote your shares. Please read the entire proxy statement before voting. For information about our company's performance, please review our 2025 Annual Report on Form 10-K.

You have received these proxy materials because our Board of Directors is soliciting your proxy to vote your shares during the 2026 annual meeting of stockholders. Notice of our annual meeting and this proxy statement were first sent or made available to stockholders on April 8, 2026.

Annual Meeting Information

DATE	Wednesday, May 20, 2026
TIME	9:00 a.m., Eastern Time
VIRTUAL MEETING LOCATION	www.virtualshareholdermeeting.com/SHBI2026
RECORD DATE	March 23, 2026

Instructions for the Virtual Annual Meeting

There will be no physical location for the annual meeting. To participate in the virtual annual meeting, please visit www.virtualshareholdermeeting.com/SHBI2026 and enter your 16-digit control number included on your Notice of Internet Availability of Proxy Materials, on your proxy card, or on the instructions that accompanied your proxy materials. We encourage stockholders to log in to the website and access the webcast approximately 15 minutes before the annual meeting starts at 9:00 a.m., Eastern Time. If you encounter any difficulties accessing the virtual annual meeting during the check-in or meeting time, please call the technical support number that will be posted on the virtual stockholder meeting log-in page. If you do not have a control number, you may still attend the meeting as a guest, but you will not be able to vote your shares during the meeting.

Whether or not you participate in the virtual meeting, it is important that your shares be part of the voting process. See below for how to vote your shares. If you hold your shares through an intermediary, such as a bank or broker, see page 56 for information regarding how to vote your shares during the meeting.

This year's question and answer session will include questions submitted live during the annual meeting. Questions may be submitted during the annual meeting through the question/chat pane of your control panel.

Voting Agenda and Board Recommendations

Proposal	Board Recommendation	More Information
1 Election of five Class II directors	FOR each nominee	Page 4
2 Advisory vote to approve the compensation of the named executive officers	FOR	Page 52
3 The ratification of the appointment of Crowe LLP as the independent registered public accounting firm for 2026	FOR	Page 53

How to Vote Your Shares



Online before the meeting
Visit www.proxyvote.com
(record and beneficial owners)



By Phone
Call the phone number on your proxy
card (record holders) or voting
instruction form (beneficial owners)



By Mail
Complete, sign, date, and mail your proxy
card (record holders) or your voting
instruction form (beneficial owners)

Board of Directors

Director nominees and continuing directors at a glance

Name	Occupation	Age	Independent	Director Since	Audit	Board Risk Oversight	Compensation	Governance	Credit	Strategic Initiatives and Technology	Trust	Executive
Michael B. Adams	President of JON Properties, LLC	59	✓	2023			M	M	M	C		M
James M. Burke	President and CEO	57		2023								
R. Michael Clemmer, Jr.	President of Salisbury, Inc.	58	✓	2016		C			M	M		M
William E. Esham, III	Partner at Ayers, Jenkins, Gordy & Almond, P.A.	60	✓	2020			M	M	C		M	M
Alan J. Hyatt ⁽¹⁾	Partner at Hyatt & Webber, P.A.	71		2021								C
Louis P. Jenkins, Jr.	Principal at Jenkins Law Firm, LLC	54	✓	2023	M		C	M		M		M
David S. Jones	President of Southern Drywall, Inc.	66	✓	2021			M	M	M	M		
John A. Lamon, III	Director of Business Development for Ironmark	68	✓	2021	M		M	M			M	
Rebecca M. McDonald	Managing director at Cherry Bekaert Advisory, LLC	52	✓	2023	C	M				M		M
E. Lawrence Sanders, III	President of Edward L. Sanders Insurance Agency	69	✓	2023		M			M		M	
Esther A. Streete	Principal at McNamee Hosea	49	✓	2022	M	M					C	M
Konrad M. Wayson	Managing Partner of Wayson Landholdings LP	64	✓	2021	M	M					M	
Dawn M. Willey	Retired	63	✓	2020		M			M	M		

Ages as of December 31, 2025

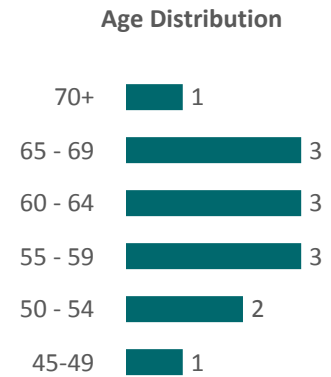
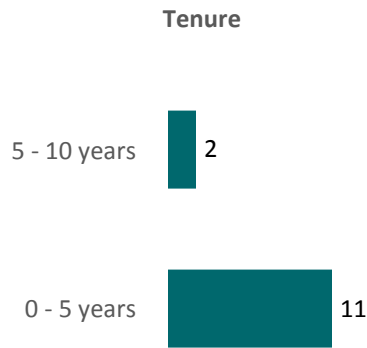
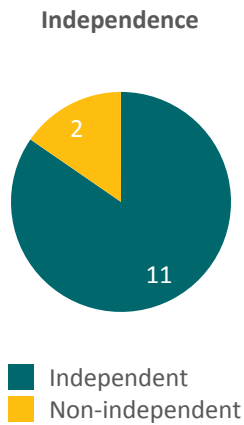
(1) Board Chair

M = Member

C = Chair

Board Composition

Director nominees and continuing directors.



Governance Highlights

- | | |
|---|---|
| ✓ Lead Independent Director who is Board Vice-Chair | ✓ Continuing director education program |
| ✓ Board refreshment: Average tenure of 4 years | ✓ Robust risk management oversight |
| ✓ Independent directors meet regularly in executive session | ✓ Active stockholder engagement program |
| ✓ Independent Board committees | ✓ Stock ownership guidelines for directors and executive officers |
| ✓ No directors on other public company boards | ✓ Clawback Policy for executive compensation programs |
| ✓ Annual Board evaluations | ✓ Code of Ethics |

Proposal 1: Election of Directors

Our Board of Directors currently has 16 members. Under our Articles of Incorporation and Bylaws, the Board is authorized to fix the number of directors, up to a maximum of 25 members. The Board is divided into three classes, with only one class of directors being elected each year and each class serving a three-year term.

The Board has nominated five Class II directors for election for a three-year term expiring at the annual meeting of stockholders to be held in 2029. They are Michael B. Adams, James M. Burke, Louis P. Jenkins, Jr., David S. Jones, and Dawn M. Willey. All Class II director-nominees are incumbent directors. Each nominee has consented to be nominated and has agreed to serve, if elected. If any person nominated by the Board is unable to stand for election for any reason, the shares represented at our annual meeting may be voted for the election of another candidate as the present Board may designate, or our Board may elect to reduce its size.

In furtherance of our previously disclosed multi-year plan to reduce the size of the Board, Clyde V. Kelly, III, David W. Moore, and Austin J. Slater, Jr. have not be nominated for re-election, and their terms will expire at the close of the annual meeting.

Nomination Process

The Governance Committee is responsible for identifying, evaluating, and recommending to the Board a slate of nominees for election at each annual meeting of stockholders. The Governance Committee will, from time-to-time, review and consider candidates recommended by stockholders. Stockholder recommendations should be submitted in writing to: Shore Bancshares, Inc., 18 East Dover Street, Easton, Maryland 21601, Attn: Chief Legal Officer. Recommendations for director nominations must specify the recommending stockholder's contact information, the class and number of shares of capital stock beneficially owned by the recommending stockholder, the name, address and credentials of the candidate for nomination, and the candidate's consent to be considered as a candidate.

Whether recommended by a stockholder or chosen independently by the Governance Committee, a candidate will be selected for nomination based on his or her talents, skills, expertise and the needs of the Board. The Governance Committee's goal in selecting nominees is to identify persons who have business and other ties to the communities and industries we serve, and who have skills, education, and other attributes that will meet the needs of the Board at that time and, generally, that are complimentary to the skills and attributes possessed by existing directors. When searching for and appointing directors to fill a particular committee position, the Governance Committee searches for persons who will meet the independence standards required for that committee and who possess skills and attributes that will allow the committee to be effective.

A candidate, whether recommended by a stockholder or otherwise, will not be considered for nomination unless he or she is of good character and is willing to devote adequate time to Board duties. In assessing the qualifications of potential candidates, the Governance Committee will also consider the candidate's experience, judgment, and civic and community relationships, and experience among existing directors. Certain Board positions, such as Audit Committee membership, may require other special skills, expertise, or independence from the company.

A stockholder who desires to nominate a candidate for election may do so only in accordance with Article II, Section 4 of our Bylaws. Please see "Proposals for the 2027 Annual Meeting of Stockholders" on page 58 for important information for stockholders who intend to submit a director nomination for the 2027 annual meeting of stockholders.

Vote Required for Election

With respect to the election of directors, a plurality of all the votes cast at the annual meeting will be sufficient to elect a nominee as a director.

Director Skills and Experience

Our directors bring a balance of skills, qualifications, and experience to their oversight of our company, as shown in the matrix below. The matrix identifies certain skills, qualifications, and experience that the Board believes are relevant to our business. A director may possess other skills, qualifications, and experience not indicated in the matrix that may be relevant and valuable to their service on our Board.

Skill/Experience	Adams	Burke	Clemmer	Esham	Hyatt	Jenkins	Jones	Lamon	McDonald	Sanders	Street	Wayson	Willey
Professional standing in chosen field	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Banking, financial services or related industry experience		✓			✓								✓
Financial reporting and accounting					✓				✓		✓	✓	✓
Risk management	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓	✓
Civic and community involvement	✓	✓		✓	✓	✓		✓	✓	✓			
Public company oversight		✓			✓				✓			✓	✓
Executive leadership	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓
Finance	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓
Marketing		✓	✓	✓	✓			✓					
Government and public affairs		✓		✓	✓								
Governance	✓	✓			✓				✓				
Human capital management		✓	✓		✓								

Nominees For Election and Continuing Directors

➤ THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE ELECTION OF EACH OF THE NOMINEES LISTED BELOW.

Class II Director-Nominees – For Terms Expiring at the 2029 Annual Meeting

MICHAEL B. ADAMS	Mr. Adams is the President of JON Properties, LLC., a full service commercial real estate company in Fredericksburg, Virginia, which he founded in 2006. Prior to starting JON Properties, Mr. Adams served as President of WEB Equipment, Inc., a dealer in rough terrain forklifts, from 1995 to 2006. Mr. Adams serves, or has served, on numerous boards of community organization, including the Fredericksburg Rotary Club, the Cal Ripken, Sr. Foundation, the Fredericksburg Area Museum, the Central Virginia Housing Coalition, Loisann’s Hope House and the Germanna Community College Education Foundation. Mr. Adams is also a member of the Fredericksburg Builders Association, the National Association of Home Builders, the Fredericksburg Realtors Association and the National Realtors Association. Mr. Adams holds a Class A General Contractors License and is a licensed real estate broker in the state of Virginia. Prior to joining the Board, Mr. Adams served as a director of The Community Financial Corporation since 2021.
Age: 59	
Director Since: 2023	
Committees: Compensation Credit Executive Governance Strategic Initiatives & Technology (Chair)	<i>Qualifications:</i> Mr. Adams’ knowledge of the local real estate market and his experience as a founder and owner of a local business provides insight into our lending activities and first-hand understanding of the needs of business owners in the environment in which we operate.
<hr/>	
JAMES M. BURKE	Mr. Burke has served as President and Chief Executive Officer of the company since July 1, 2023. Prior to that time, Mr. Burke served as the President and CEO of The Community Financial Corporation. Mr. Burke has over 30 years of banking experience. He currently serves on the Board of Directors of the Federal Home Loan Bank of Atlanta. Mr. Burke is the former Chairman of the Board of Directors of University of Maryland Charles Regional Medical Center, former Chairman of the Board of Directors for St. Mary’s Ryken High School, Trustee for Historic Sotterley, and is active in other civic groups.
Age: 57	
Director Since: 2023	
	<i>Qualifications:</i> Mr. Burke’s extensive experience in the banking industry and his understanding of our company through his role as CEO assists the Board in overseeing the operation of our business and the implementation of our strategic plan.
<hr/>	
LOUIS P. JENKINS, JR.	Mr. Jenkins is the principal of Jenkins Law Firm, LLC. Before entering private practice, Mr. Jenkins served as an Assistant State’s Attorney in Charles County, Maryland from 1997 to 1999. In addition to his private practice, Mr. Jenkins serves as Court Auditor for the Circuit Court for Charles County, Maryland. From 2017-2019, Mr. Jenkins served as a member of the Board of Directors of the University of Maryland Medical System. Mr. Jenkins has also served as a board member of several other public service organizations including the University of Maryland Charles Regional Medical Center, Southern Maryland Chapter of the American Red Cross, Charles County Chamber of Commerce, and the Charles County Bar Association. Prior to joining the Board, Mr. Jenkins served as a director of The Community Financial Corporation since 2000.
Age: 54	
Director Since: 2023	
Committees: Audit Compensation (Chair) Executive Governance Strategic Initiatives & Technology	<i>Qualifications:</i> Mr. Jenkins’ understanding of legal risks and obligations and experience with regulatory regimes and relationships with regulatory and governmental authorities is valuable to the Board because we operate in a regulated industry. Mr. Jenkins’ experience in the public sector adds valuable expertise regarding local issues and provides first-hand understanding of the local political and business environment in which we operate.

DAVID S. JONES**Age:** 66**Director Since:** 2021**Committees:**

Compensation

Credit

Governance

Strategic Initiatives & Technology

Mr. Jones cofounded Southern Drywell, Inc., a septic system contractor in Annapolis, and currently serves as the company's President. Mr. Jones also cofounded Jones of Annapolis, Inc., a demolition and excavation contractor in Annapolis, and currently serves as the company's Secretary and Treasurer. Prior to joining the Board, Mr. Jones served as a director of Severn Bancorp, Inc. since 2012 and a director of Severn Bank since 2011.

Qualifications: Mr. Jones' experience as a local business owner and insight into our market area is important to the oversight of the company's business operations and risk management.

DAWN M. WILLEY**Age:** 63**Director Since:** 2020**Committees:**

Board Risk Oversight

Credit

Strategic Initiatives & Technology

Mrs. Willey was the founding CEO of Bridgeforce Inc., a trusted advisor to many of the largest lenders in the world. Mrs. Willey retired in 2013 and served as Board Chairperson through 2019. Mrs. Willey also founded Katabat, an omni-channel banking SAS cloud computing company and served on its board until its sale in 2020. Prior to Bridgeforce, Mrs. Willey held the position of Executive Vice President with MBNA, later purchased by Bank of America. Mrs. Willey pioneered neural network fraud detections solutions and omni-channel banking with a patent in multi-channel virtual collections. Mrs. Willey formerly served as a board member for the Caitlin Robb Foundation, Delaware Valley Chapter to help children with pediatric cancer and is also a co-founder of the 81DalerGirls scholarship fund to recognize and assist women student athletes who demonstrate leadership attributes of "team before self."

Qualifications: Mrs. Willey's 40 years of banking experience and expertise in fraud prevention, collection operations, portfolio risk analytics, investor bank portfolio evaluations, operational risk compliance, strategic bank technology, card point of sale, and lending for consumer, small business and mortgage products in North America and the U.K give her valuable insight into our business.

Incumbent Class III Directors – Terms Expiring at the 2027 Annual Meeting

R. MICHAEL CLEMMER, JR. Age: 58 Director Since: 2016 Committees: Board Risk Oversight (Chair) Credit Executive Strategic Initiatives & Technology	<p>Mr. Clemmer is President of Salisbury, Inc., which designs and manufactures pewter, sterling silver and other metal giftware, a position he has held since 1991. In 1995, Mr. Clemmer founded Executive Decision, Inc., a corporate recognition company. Since 1992, Mr. Clemmer has been involved in the development, acquisition and renovation of industrial and commercial property. He is founder of Waterside Properties LLC, a property development and management company. Prior to joining the Board, Mr. Clemmer served as a director of Talbot Bank since 2012.</p> <p><i>Qualifications:</i> Mr. Clemmer’s business leadership and real estate development experience provide insight that assists the Board in overseeing the operation of our business and managing our risk exposures.</p>
ALAN J. HYATT Age: 71 Director Since: 2021 (Chairman since 2021) Committees: Executive (Chair)	<p>Mr. Hyatt is a partner with the Annapolis law firm Hyatt & Weber, P.A., concentrating his practice on banking, land use, real estate, and commercial law. Mr. Hyatt serves as counsel to area real estate developers and entrepreneurs, with active representation in land use cases, commercial transactions and commercial litigation. Mr. Hyatt joined the Board as Chair on November 1, 2021, in connection with the merger between the company and Severn Bancorp, Inc. Prior to that time, Mr. Hyatt served as the Chairman and Chief Executive Office of Severn Bancorp, Inc. Mr. Hyatt serves on the Board of Trustees of Luminis Health, the Anne Arundel County Retirement and Pension System, and the Annapolis Community Foundation.</p> <p><i>Qualifications:</i> Mr. Hyatt’s experience as an attorney, businessman, and bank executive brings strong legal and financial skills important to the oversight of the company’s financial reporting and enterprise and operational risk management.</p>
E. LAWRENCE SANDERS, III Age: 69 Director Since: 2023 Committees: Board Risk Oversight Credit Trust	<p>Mr. Sanders is President of Edward L. Sanders Insurance Agency, which provides multi-line insurance services to clients in Maryland since 1903. He is a current member and past President of the Charles County Rotary, past director for the Professional Insurance Agent’s Association, past director and past President for the Civista Foundation and current director for the Charles County Rotary Foundation. Prior to joining the Board, Mr. Sanders served as a director of The Community Financial Corporation since 2018. Mr. Sanders served on the board of directors of County First Bank for 28 years and served as chairman of the board from 2013 to 2018.</p> <p><i>Qualifications:</i> Mr. Sanders’ extensive financial and operational knowledge from his experience as an owner of an insurance agency and years of serving as a bank director provides the Board valuable insight regarding corporate governance, regulatory compliance, risk assessment practices, and bank operations.</p>
KONRAD M. WAYSON Age: 64 Director Since: 2021 Committees: Audit Board Risk Oversight Trust	<p>Mr. Wayson is a partner of Wayson Landholdings since 1996 and has been the managing partner since 2007. Mr. Wayson also serves as the Secretary and Treasurer of Hopkins & Wayson, Inc., a general contractor serving Maryland, Washington D.C. and Virginia since 1984. Mr. Wayson was the Chief Financial Officer of Child’s Landscaping from 1997 until 2004 when the company was sold. Mr. Wayson served for 15 years on the Anne Arundel County Public Schools Ethics Panel and stepped down in 2023. Mr. Wayson has served on the Anne Arundel Medical Foundation Board, the Anne Arundel Economic Development Corporation Board, and the Anne Arundel School Board. Prior to joining the Board, Mr. Wayson served as a director of Severn Bancorp, Inc. since 2009 and as a director of Severn Bank since 2008.</p> <p><i>Qualifications:</i> Mr. Wayson’s experience in business and his strong financial skills are important to the Board’s oversight of financial reporting and enterprise and operational risk management.</p>

Incumbent Class I Directors – Terms Expiring at the 2028 Annual Meeting

WILLIAM E. ESHAM, III	Mr. Esham is a partner in the law firm of Ayres, Jenkins, Gordy & Almand, P.A., specializing in real estate law. Mr. Esham also serves on the Board of Trustees for Worcester Preparatory School and the Board of Directors for Atlantic General Hospital.
Age: 60	
Director Since: 2020	<i>Qualifications:</i> Mr. Esham’s understanding of legal risks and obligations, his expertise in real estate law, and experience with regulatory regimes and relationships with regulatory and governmental authorities is valuable to the Board because we operate in a regulated industry.
Committees: Compensation Credit (Chair) Executive Governance Trust	

JOHN A. LAMON, III	Mr. Lamon currently serves as the Director of Business Development for Ironmark, a leading marketing agency in Maryland. Prior to this position, Mr. Lamon was the President and Owner of John A. Lamon & Associates, a promotional marketing company, before selling the business to G&G Outfitters, Inc. After the company sold, Mr. Lamon remained employed as a Senior Account Executive until 2000. Mr. Lamon has served on various boards including, St. Mary’s School, The Annapolis Touchdown Club, St. Mary’s Royal Blue Club and the University of Maryland M Club. Prior to joining the Board, Mr. Lamon served as a director of Severn Bancorp, Inc. since 2009.
Age: 68	
Director Since: 2021	<i>Qualifications:</i> Mr. Lamon’s business and marketing experience is valuable to the Board’s oversight of the operation of our business and enterprise and operational risk management.
Committees: Audit Compensation Governance Trust	

REBECCA M. MCDONALD	Ms. McDonald is a managing director at Cherry Bekaert Advisory, LLC a national business advisory firm. She has 30 years of experience providing accounting advisory services and financial transformation support to both private and public companies. Ms. McDonald specializes in a range of services, such as outsourced and project-based accounting, SEC reporting, audit and IPO readiness, internal control and process improvement analysis, and due diligence support for mergers and acquisitions. Ms. McDonald has also held various finance roles with a publicly traded company. Ms. McDonald is a member of the American Society of Certified Public Accountants. She serves as the Treasurer on the Board of Trustees of Commonwealth Academy. Prior to joining the Board, Ms. McDonald served as a director of The Community Financial Corporation since 2020.
Age: 52	
Director Since: 2023	<i>Qualifications:</i> Ms. McDonald’s extensive audit, public accounting, and executive level experience provide the Board with a skill set critical to overseeing our financial reporting and the design and implementation of our risk management framework.
Committees: Audit (Chair) Board Risk Oversight Executive Strategic Initiatives & Technology	

ESTHER A. STREETE	Ms. Streete is a Principal at McNamee Hosea, a full-service Maryland business law firm, where she has worked since 2005. She is a Certified Public Accountant and an attorney who specializes in tax, estate & business planning, business succession planning, estate administration, probate and trust administration. Ms. Streete has affiliations with the Maryland Association of Certified Public Accountants, Maryland State Bar Association, and Anne Arundel County Bar Association.
Age: 49	
Director Since: 2022	<i>Qualifications:</i> Ms. Streete’s experience as an attorney and certified public accountant and her expertise in financial planning, estate and trust administration provide the Board with a skill set critical to overseeing our financial reporting and the design and implementation of our risk management framework.
Committees: Audit Board Risk Oversight Executive Trust (Chair)	

Corporate Governance

We are committed to strong corporate governance practices that promote the long-term interests of our stockholders and strengthen the accountability of our Board and management.

Our governance framework is set forth in our Corporate Governance Guidelines, committee charters and other key governance documents, which we review and modify on a regular basis to reflect best practices, recent developments, and legal and regulatory requirements. Our Corporate Governance Guidelines, committee charters and other key governance documents are available on our website at www.shorebankshares.com by selecting “Governance Documents” under “Governance.”

Director Independence

Nasdaq Listing Rules require that a majority of our directors and each member of our Audit Committee, Compensation Committee and Governance Committee be independent. In addition, our Corporate Governance Guidelines require that a majority of our directors be independent. A director may be determined to be independent only if the Board has determined that he or she has no relationship with the company that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The Governance Committee advises and makes recommendations to the Board regarding director independence. After considering the committee’s recommendation, the Board affirmatively determined that all current members of the Board, other than James M. Burke and Alan J. Hyatt, are independent directors and independent for purposes of the committees on which they serve in accordance with applicable Nasdaq and Securities and Exchange Commission (SEC) independence rules and requirements. The Board determined that Mr. Burke is not independent because he is employed as our President and Chief Executive Officer and Mr. Hyatt is not independent because he receives compensation for consulting services in excess of \$120,000 per year.

To determine the independence of the directors, the Board considered certain transactions, relationships, or arrangements between each of the directors, their immediate family members, or their affiliated entities, on the one hand, and the company, on the other hand, including those discussed below under “Transactions with Related Parties.” Certain directors, their respective immediate family members, and/or affiliated entities have deposit or credit relationships with, or received investment or wealth management services from, Shore United Bank, in the ordinary course of business. The Board determined that all of these transactions, relationships, or arrangements were made in the ordinary course of business, were made on terms comparable to those that could be obtained in arms’ length dealings with an unrelated third party, were not criticized or classified, non-accrual, past due, restructured or a potential problem, complied with applicable banking laws, and did not otherwise impair any director’s independence.

Board Leadership Structure and Executive Sessions

Our Board is led by the Chair. Under our Bylaws, the Chair is elected annually by the Board from among the directors and presides over each Board meeting and performs such other duties as may be incident to the office of the Chair.

We currently separate the roles of Chair and Chief Executive Officer. Separation of the Chair and Chief Executive Officer roles is not mandated by any provision of law or our Articles of Incorporation or Bylaws, but the Board believes that this governance structure provides the best balance between the Board’s independent oversight of our business and the Chief Executive Officer’s management of our business on a day-to-day basis. Consistent with this determination, Alan J. Hyatt serves as the Chair of the Board and James M. Burke serves as our President and Chief Executive Officer.

The Board of Directors has also appointed Austin J. Slater, Jr., the Vice Chair of the Board of Directors, to serve as the company’s lead independent director to provide enhanced independent leadership for the Board. Upon Mr. Slater’s retirement from the Board following the annual meeting, the Board intends to select a new lead independent director. The responsibilities of the lead independent director include:

- presiding at Board meetings when the Chair is not present, including executive sessions of the independent directors;
- calling meetings of the independent directors, as appropriate;

- assisting the Board in complying with corporate governance guidelines and best practices;
- contributing to the annual performance reviews of the Chief Executive Officer and the Board Chair and participating in Chief Executive Officer succession planning;
- assisting in the planning and reviewing of Board meeting agendas and meeting schedules;
- serving as a liaison between the Chief Executive Officer and independent directors;
- attending Board committee meetings on an ex-officio basis;
- promoting the efficiency and effective performance of the Board and consulting with the Governance Committee on the Board's annual self-assessment;
- providing guidance on the ongoing development of directors; and
- leading the director emeritus program.

To further strengthen the oversight of the full Board, the Board's independent directors hold executive sessions at which only non-management directors are present. The executive sessions are scheduled in connection with regularly scheduled Board meetings. Additional executive sessions may be called by any of the independent directors as often as necessary.

Board Oversight of Risk

We believe that a strong risk management culture is vital to the success of our business. To mitigate the risks inherent in our business, we foster a culture that makes managing risk everyone's responsibility at all levels of the company.

We have implemented a formal risk management framework that establishes the program by which we identify, assess, measure, monitor, report and control risks across the company. The risk management framework is designed to link risk appetite, and related risk monitoring and reporting, with our business strategy and capital plans. The risk management framework describes our risk management approach, including the adoption of the three lines of defense risk model, and outlines our risk management governance structure, including the roles of the Board, management, lines of business and internal audit. The Board Risk Oversight Committee reviews the risk management framework at least annually, or more often as needed to address changes in our risk profile or risk management best practices.

We have also adopted a risk appetite statement that identifies the level of risk we are willing to accept in pursuit of our strategic objectives. Our risk appetite is articulated through qualitative statements and quantitative metrics that cover the broad array of risks relevant to the company, including credit, market, liquidity, capital, operational, strategic and reputational risks. The Board reviews and approves our risk appetite statement annually. On a quarterly basis, we evaluate the risks facing the company and our risk appetite metrics against the risk appetite statement to ensure that our operations align with our risk appetite.

The Board is responsible for overseeing our risk management processes by informing itself about our material risks and evaluating whether management has reasonable risk management and control processes in place to address those risks. The Board oversees risk management through the actions of the Board, including approval and oversight of our risk appetite statement, strategic plan, capital plan and financial plan, and the activities of its committees. All of our committee chairs report regularly to the Board on the activities and material matters discussed at meetings of their committee.

Board Risk Oversight Committee – The Board Risk Oversight Committee has primary responsibility for overseeing our risk management framework. The committee reviews and approves our risk appetite statement and key risk management policies, monitors compliance with the risk management framework and risk limits, and oversees the work of our risk management function. The committee oversees financial risk, including interest rate risk, credit risk, liquidity risk, capital risk and market risk, and operational risk, including compliance risk, business continuity planning, information and cyber security risk, and third-party risk. The committee receives a quarterly enterprise risk report as well as regular updates on key and emerging risks.

Credit Risk Committee – The Credit Risk Committee of the Shore United Bank Board has primary responsibility for overseeing our credit risk management. The committee reviews and approves our significant credit policies, oversees the work of our internal loan review function, receives regular reports on loan concentrations and asset quality, and reviews the calculation of the allowance for credit losses.

Audit Committee – The Audit Committee plays a significant role in the Board’s exercise of its risk oversight responsibilities. This committee has primary oversight of risks arising from our financial reporting, internal control processes and public disclosure. The Audit Committee reviews management’s assessment of our internal control over financial reporting, meets regularly with our independent auditors to discuss the results of their quarterly reviews and annual audit, and receives internal audit reports that enable it to monitor operational risk throughout the company. To ensure candid reporting, the Audit Committee meets in separate executive sessions with our independent auditors and Chief Internal Audit Executive.

Compensation Committee – The Compensation Committee has primary oversight of risks arising from our incentive compensation plans and programs. On an annual basis, the committee receives a risk assessment that enables the committee to determine whether our incentive compensation plans and programs create risks that are likely to have a material adverse effect or would encourage excessive risk-taking.

Strategic Initiatives & Technology Committee – The Strategic Initiatives & Technology Committee is responsible for overseeing the management of risks associated with major projects related to strategic initiatives and key technology platforms.

Governance Committee – The Governance Committee oversees risks relating to our corporate governance structure, board leadership and effectiveness, and management and board succession planning.

Board Oversight of Cybersecurity Risk

Our Board recognizes our responsibility to protect the data provided by our customers and employees, understands how cyber risks could disrupt our operations, and is cognizant of the increasing risks and threats associated with the use of digital technology. Through the efforts of the Board Risk Oversight Committee, the Board oversees our continuing efforts to strengthen our information security infrastructure and staffing and enhance our technology controls and cybersecurity defenses.

As part of its oversight of operational risk, the Board Risk Oversight Committee is responsible for the oversight of information security and cybersecurity risk management. Our management regularly reports to the Board Risk Oversight Committee on security events, testing, training, audits, new system assessments and vendor performance. These reports address topics such as the threat environment and vulnerability assessments, results of penetration testing, results of key cyber risk indicators and performance metrics, and our efforts to detect, prevent and respond to internal and external critical threats. The Board Risk Oversight Committee receives periodic updates on information security risk, the maturity of our information security program, and updates on related investments and results. On an annual basis, the Board Risk Oversight Committee reviews and approves our information security program and information security policy.

Director Stock Ownership Requirements

Our Director Stock Ownership Guidelines require non-employee directors to hold shares of our common stock equal in value to at least five times the amount of the annual cash retainer paid to non-employee directors, in the case of directors with up to five years of tenure, and at least 10 times the amount of their annual cash retainer in the case of directors with more than five years of tenure. The purpose of this policy is to align the interests of the Board with the interests of our stockholders. All of our director nominees and continuing directors are in compliance with the requirement of the policy, which provides newly elected or appointed directors a period of five years from the date of appointment or election to comply with the ownership requirement.

Board and Committee Meetings and Attendance

Our Board held eight meetings during 2025. All directors of the company attended at least 75% of the aggregate number of meetings of the Board and committees on which such directors served in 2025.

Annual Meeting Attendance

Directors are expected to attend our annual meeting of stockholders. All 16 directors serving at the time of the 2025 annual meeting attending the 2025 annual meeting.

Code of Ethics

We have adopted a Code of Ethics that applies to all directors, officers, and employees of the company. The Code of Ethics provides fundamental ethical principles to which these individuals are expected to adhere. The Code of Ethics operates as a tool to help directors, officers, and employees understand and adhere to the high ethical standards required for employment by, or association with, the company.

The Code of Ethics is available on our corporate website at www.shorebankshares.com under the “Governance” link. If we make any substantive amendments to the Code of Ethics or grant any waiver that applies to one of our senior financial officers or a member of the Board, we will disclose the nature of the amendments or waiver on our website or in a Current Report on Form 8-K.

Conflicts of Interest Policy

We have adopted a Conflicts of Interest Policy that applies to our directors and executive officers, which supplements the conflict of interest provisions of our Code of Ethics. The Conflicts of Interest Policy sets forth a process for handling potential conflicts of interest that includes disclosure to our Chief Legal Officer and review of the potential conflict of interest by the members of the Audit Committee.

Committees of the Board

A significant portion of our Board’s oversight responsibilities is carried out through five independent, principal standing committees: Audit Committee, Compensation Committee, Governance Committee, Board Risk Oversight Committee, and Strategic Initiatives & Technology Committee. Allocating responsibilities among committees allows more in-depth attention devoted to the Board’s oversight of our business.

Committees meet regularly in conjunction with scheduled Board meetings and hold additional meetings as needed. Each committee reviews reports from senior management and reports its actions to, and discusses its recommendations with, the full Board.

Each committee operates under a written charter, which may be found on our investor relations website at www.shorebankshares.com under the “Governance” link. Each charter is reviewed at least annually as part of the Board’s and each respective committee’s self-assessment.

Audit Committee

Committee Chair:

Rebecca M. McDonald

Other Committee Members:

Louis P. Jenkins, Jr.

John A. Lamon, III

Esther A. Streete

Konrad M. Wayson

Meetings in 2025: 8

The primary responsibilities of the Audit Committee are to assist the Board in fulfilling its oversight of:

- the quality and integrity of our financial statements;
- the effectiveness of internal control over financial reporting;
- compliance with legal and regulatory requirements;
- the qualifications, independence, and performance of the independent auditors; and
- the qualifications and performance of our internal audit function.

The Audit Committee is also responsible for

- the appointment, compensation, and oversight of the company’s independent auditors;
- pre-approving all audit and non-audit services performed by the independent auditors; and
- reviewing in advance of filing quarterly and annual reports filed with the SEC.

All members are financially literate as required by the Nasdaq listing rules.

All members are independent and meet additional Nasdaq and SEC independence standards for audit committee members.

The Board has determined that Rebecca M. McDonald is an audit committee financial expert as defined by the SEC.

Board Risk Oversight Committee

Committee Chair:

R. Michael Clemmer, Jr.

Other Committee Members:

Rebecca M. McDonald

E. Lawrence Sanders, III

Esther A. Streete

Konrad M. Wayson

Dawn M. Willey.

Meetings in 2025: 4

The responsibilities of the Board Risk Oversight Committee include:

- oversight of the company’s enterprise risk management activities, including the significant policies, procedures and practices employed to manage credit risk, market risk, interest rate risk, liability and liquidity risk, operational risk, and reputation risk;
- reviewing and making recommendations to the Board with respect to the establishment of risk limits; and
- receiving reports on risk exposures and measurement.

All members are independent.

Compensation Committee

Committee Chair:

Louis P. Jenkins, Jr.

Other Committee Members:

Michael B. Adams

William E. Esham, III

David S. Jones

Clyde V. Kelly, III

John A. Lamon, III

David W. Moore

Meetings in 2025: 5

The responsibilities of the Compensation Committee include:

- reviewing and approving compensation and benefit programs applicable to the company's executive officers, including base salary, incentive compensation, equity awards, and retirement benefits;
- reviewing and recommending to the Board the compensation of the company's non-employee directors;
- assessing whether the company's compensation programs generally are designed in a manner that does not encourage or reward unnecessary or excessive risk-taking;
- providing oversight with respect to the company's compensation policies and practices; and
- retaining and overseeing an independent compensation consultant to support the committee, approving related fees and engagement terms, and determining that the consultant's work raises no conflicts of interest.

All members are independent and meet additional Nasdaq and SEC independence standards for compensation committee members.

Governance Committee

Committee Chair:

Clyde V. Kelly, III

Other Committee Members:

Michael B. Adams

William E. Esham, III

Louis P. Jenkins, Jr.

David S. Jones

John A. Lamon, III

David W. Moore

Meetings in 2025: 4

The responsibilities of the Governance Committee include:

- recommending to the Board for approval the slate of candidates for election or re-election at the company's annual meeting of stockholders;
- managing the process for evaluating the performance of the Board;
- overseeing director orientation and continuing education programs;
- affirming whether each director qualifies as "independent" as defined by Nasdaq Listing Rules; and
- succession planning.

All members are independent.

Strategic Initiatives & Technology Committee

Committee Chair:

Michael B. Adams

Other Committee Members:

R. Michael Clemmer, Jr.

Louis P. Jenkins, Jr.

David S. Jones

Rebecca M. McDonald

David W. Moore

Dawn M. Willey

Meetings in 2025: 4

The responsibilities of the Strategic Initiatives & Technology Committee include:

- providing oversight and strategic guidance to management related to the company's planning and execution of key organizational initiatives and strategic projects, technology, physical/structural assets, products, acquisitions, and key market actions; and
- reviewing and providing recommendations to the Board with respect to policies, processes and systems that management uses to manage projects, new products, facilities and technology.

All members are independent.

Other Standing Committees

The Board has three additional standing committees:

Credit Risk Committee: The committee is responsible for oversight of credit risk management.

Trust Committee: The committee is responsible for overseeing the company's fiduciary activities.

Executive Committee: The committee may exercise all the powers of the Board that may lawfully be delegated, with the expectation that it will not take material actions absent special circumstances. This committee did not meet in 2025.

Director Compensation

Our director compensation program is designed to attract and retain highly qualified directors and align their interests with those of our stockholders. We compensate our non-employee directors with a combination of cash and equity awards. Directors who are employees of our company do not receive additional compensation for their service as Board members.

The Compensation Committee periodically reviews the director compensation program and recommends changes for approval by the Board. The Compensation Committee did not recommend any changes to our director compensation program for 2025.

Our non-employee director compensation program consisted of the following for 2025:

Annual equity award	\$37,000
Annual cash retainer	\$35,000
Board chair annual cash retainer	\$20,000
Lead independent director annual retainer	\$10,000
Additional cash retainer for audit committee chair	\$10,000
Additional cash retainer for other committee chairs	\$5,000

All directors of our company also serve as directors of Shore United Bank, for which they do not receive any additional compensation.

Equity awards are made in the form of restricted stock units that vest on the first anniversary of the grant date. Vesting accelerates upon a change in control, death, or departure from the Board due to disability. Dividend equivalents are paid on restricted stock units when the restricted stock units vest.

Directors may elect to receive their cash retainers in the form of restricted stock units, which vest on the first anniversary of the grant date.

Deferred Fee Arrangements

Directors are eligible to defer all or a portion of their retainer fees under the company's Deferred Compensation Plan. Amounts deferred are deemed invested in units of our common stock. Directors vest in their deferred fees on the first anniversary of the date their retainer fees are credited to their account. A director participant's benefit is paid only upon departure from the Board and is distributed in shares of our common stock.

2025 Non-Employee Director Compensation

The following table shows the compensation paid to or earned by our non-employee directors during 2025.

Name	Fees earned or paid in cash ⁽¹⁾ (\$)	Stock Awards ⁽²⁾ (\$)	Non-qualified	All Other Compensation ⁽⁴⁾ (\$)	Total (\$)
			Deferred Compensation Earnings ⁽³⁾ (\$)		
Michael B. Adams	40,000	37,006	—	793	77,799
R. Michael Clemmer, Jr.	40,000	37,006	—	793	77,799
William E. Esham, III	40,000	37,000	—	—	77,000
Alan J. Hyatt	55,000	37,006	—	150,793	242,799
Louis P. Jenkins, Jr.	40,000	37,006	—	793	77,799
David S. Jones	35,000	37,006	—	793	72,799
Clyde V. Kelly, III	40,000	37,006	—	793	77,799
John A. Lamon, III	35,000	37,006	—	793	72,799
Frank E. Mason, III ⁽⁵⁾	14,616	—	—	19,369	33,985
Rebecca M. McDonald	40,000	37,006	—	793	77,799
David W. Moore	35,000	37,000	—	—	72,000
Mary Todd Peterson ⁽⁵⁾	22,500	—	—	18,293	40,793
E. Lawrence Sanders, III	35,000	37,006	—	793	72,799
Austin J. Slater, Jr.	45,000	37,006	—	793	82,799
Esther A. Streete	40,000	37,000	—	—	77,000
Konrad M. Wayson	35,000	37,006	—	1,869	73,875
Dawn M. Willey	35,000	37,000	—	793	72,793

- (1) Includes fees for which the director has elected to receive restricted stock in lieu of cash. The number of shares of restricted stock received by each director in lieu of cash during 2025 was as follows: Mr. Wayson — 2,240 shares of restricted stock in lieu of \$35,000 in cash.
- (2) On July 29, 2025, each non-employee director serving at the time was granted 2,310 restricted stock units. Mr. Esham, Mr. Moore, Ms. Streete, and Ms. Willey deferred their equity award under the company's Deferred Compensation Plan. The value reported represents the aggregate grant date fair value of the award computed in accordance with FASB ASC Topic 718, "Accounting for Stock Compensation" ("ASC 718"). See Note 11 to the consolidated audited financial statements contained in the company's Annual Report on Form 10-K for the year ended December 31, 2025, regarding assumptions underlying valuation of equity awards. On December 31, 2025, non-employee directors held the number of restricted stock units, restricted stock, and unvested stock units under the Deferred Compensation Plan as follows: Mr. Adams, 2,310; Mr. Clemmer, 2,310; Mr. Esham, 2,345; Mr. Hyatt, 2,310; Mr. Jenkins, 2,310; Mr. Jones, 2,310; Mr. Kelly, 2,310; Mr. Lamon, 2,310; Ms. McDonald, 2,310; Mr. Moore, 2,345; Mr. Sanders, 2,310; Mr. Slater, 2,310; Ms. Streete, 2,345; Mr. Wayson, 4,550; and Ms. Willey, 2,345.
- (3) We do not provide any above-market or preferential earnings on non-qualified deferred compensation.
- (4) For Mr. Hyatt, includes compensation of \$150,000 for consulting services pursuant to the terms of a consulting agreement between Mr. Hyatt and the Bank. For Mr. Mason and Ms. Peterson, includes \$17,500 in director emeritus fees.
- (5) Mr. Mason's and Ms. Peterson's service on the Board concluded with the expiration of their terms as a director on May 29, 2025.

Transactions With Related Parties

The Board has adopted a written policy and procedures for the review, approval, or ratification of transactions that could potentially be required to be reported under the SEC rules for disclosure of transactions in which related parties have a direct or indirect material interest. Related parties include our directors and executive officers and members of their immediate families. The Audit Committee is responsible for reviewing and, where appropriate, approving or ratifying any related party transaction involving our company or its subsidiaries and related parties.

The policy applies to any transaction in which our company or a subsidiary is a participant, any related party has a direct or indirect material interest, and the amount involved exceeds \$120,000. The policy contains a list of categories of transactions involving related parties that are exempt under the policy and therefore need not be brought to the Audit Committee for review, including banking, trust and wealth management services provided to related parties on substantially the same terms for comparable services provided to unrelated third parties.

When assessing a related party transaction, the Audit Committee will review all relevant facts and circumstances, including without limitation, the following information:

- the terms of the transaction;
- whether the transaction was undertaken in the ordinary course of business of the company;
- whether the transaction was initiated by the company or the related party;
- whether the transaction with the related party is proposed to be, or was, entered into on terms no less favorable to the company than terms that could have been reached with an unrelated third party under the same or similar circumstances;
- the purpose of, and the potential benefits to the company of, the transaction;
- the approximate dollar value of the amount involved in the transaction, particularly as it relates to the related party;
- whether there was a bidding process and the results thereof;
- the related party's interest in the transaction; and
- whether the transaction includes any potential reputational risk issues that may arise as a result of or in connection with the transaction.

The Audit Committee may approve a related party transaction only if the committee determines in its judgment that the transaction is appropriate or desirable under the circumstances. The Audit Committee, in its sole discretion, may impose such conditions as it deems appropriate on the company or the related party in connection with the approval of the related party transaction.

Consulting Agreement

On October 31, 2021, Shore United Bank entered into a Consulting Agreement with Alan J. Hyatt in connection with the company's acquisition of Severn Bancorp, Inc., of which Mr. Hyatt was the Chairman, President and Chief Executive Officer. Under the terms of the Consulting Agreement, which terminates on October 31, 2026, Mr. Hyatt provides consulting services consisting of assisting us in business introductions, business development calls and business referrals; attending community functions sponsored by us; and assisting in any other matters or duties management may request. In consideration of the consulting services, Mr. Hyatt receives an annual fee of \$150,000 payable in equal monthly installments.

Family Relationships

The spouse of Lacey Pierce, our Executive Vice President, Chief Strategy and Project Officer, is employed by Shore United Bank as a regional president. For 2025, he received aggregate compensation of \$468,184, consisting of base salary, cash bonus, equity compensation, dividend equivalents on vested equity grants and a matching contribution to the 401(k) plan. His compensation was established in accordance with our compensation practices applicable to employees with comparable qualifications and responsibilities and holding similar positions.

Leases

The company leases a portion of one of its facilities to a law firm in which Board Chair Alan J. Hyatt is a partner. The current lease term expires on December 31, 2026. Total rent payments received by the company were \$318,000 for 2025 and \$83,000 in the current year through March 31, 2026.

Shore United Bank leases its Fredericksburg, Virginia lending center from an entity in which director Michael B. Adams is a 25% owner and managing member. The current lease term expires on November 30, 2028. Shore United Bank paid this entity \$117,000 in 2025 and \$28,000 in the current year through March 31, 2026. Mr. Adams is also the 100% owner and President of an entity to which Shore United Bank pays monthly fees in connection with common area maintenance for the Virginia lending center. Shore United Bank paid this entity \$12,000 in 2025 and \$3,000 in the current year through March 31, 2026.

Ordinary Banking Relationships

From time to time, Shore United Bank engages in banking transactions involving loans, deposits, credit cards, trust services, and wealth management services in the ordinary course of businesses with directors, executive officers, members of their immediate families, and corporations or organizations in which any of them is an executive officer, partner or beneficial owner of 10% or more of any class of securities. The transactions were made on substantially the same terms, including interest rates, collateral, and repayment terms on loans, as those prevailing at the time for comparable transactions with persons not related to the company and its subsidiaries. Extensions of credit to these persons have not and do not currently involve more than the normal risk of collectability or present other unfavorable features. Any loans we originate with officers, directors or principal stockholders, as well as their immediate family members and affiliates, are approved by our Board in accordance with the applicable regulatory requirements.

Stock Ownership Information

5% Owners of Company Stock

The following table provides information about those holders known to us to be the beneficial owners of 5% or more of our outstanding shares of common stock as of February 15, 2026.

Name and Address	Number of Shares	Percentage of Common Stock Outstanding
BlackRock, Inc. 50 Hudson Yards, New York, NY 10001	2,425,534 ⁽¹⁾	7.26%
Alan J. Hyatt 200 Westgate Circle, Suite 200, Annapolis, MD 21401	1,769,856 ⁽²⁾	5.31%
The Vanguard Group 100 Vanguard Blvd., Malvern, PA 19355	1,733,111 ⁽³⁾	5.20%

(1) According to the Schedule 13G/A filed by BlackRock, Inc. with the SEC on February 6, 2026, BlackRock, Inc. had sole voting power with respect to 2,390,866 shares and sole dispositive power with respect to 2,425,534 shares.

(2) Mr. Hyatt had sole voting and dispositive power with respect to 936,692 shares and shared voting and dispositive power with respect to 827,235 shares.

(3) According to the Schedule 13G filed by The Vanguard Group with the SEC on July 29, 2025, The Vanguard Group had shared power to vote 15,632 shares, sole dispositive power with respect to 1,706,744 shares, and shared dispositive power with respect to 26,367 shares.

Beneficial Ownership of Directors and Executive Officers

The following table sets forth information as of February 15, 2026 regarding the shares of common stock beneficially owned by each of our directors and named executive officers and by all of our directors and executive officers as a group. No individual holds more than 1% of the total outstanding shares of common stock except for Alan J. Hyatt, who owns 5.3% of our outstanding common stock. All directors and officers as a group beneficially own 8.7% of our outstanding common stock.

Name of Beneficial Owner	Shares Owned ⁽¹⁾	Right to Acquire ⁽²⁾	Total Beneficial Ownership	Additional Stock Units ⁽³⁾	Total
Non-Employee Directors:					
Michael B. Adams	55,383	—	55,383	2,310	57,693
R. Michael Clemmer, Jr. ⁽⁴⁾	30,163	—	30,163	2,310	32,473
William E. Esham, III	7,881	—	7,881	19,735	27,616
Alan J. Hyatt ⁽⁵⁾	1,769,856	—	1,769,856	2,310	1,772,166
Louis P. Jenkins, Jr.	61,388	—	61,388	2,310	63,698
David S. Jones ⁽⁶⁾	69,675	—	69,675	2,310	71,985
Clyde V. Kelly, III	28,735	—	28,735	2,310	31,045
John A. Lamon, III	62,424	—	62,424	2,310	64,734
Rebecca M. McDonald ⁽⁷⁾	98,629	—	98,629	2,310	100,939
David W. Moore	7,849	—	7,849	12,649	20,498
E. Lawrence Sanders, III ⁽⁸⁾	92,334	—	92,334	2,310	94,644
Austin J. Slater, Jr.	68,436	—	68,436	2,310	70,746
Esther A. Streete	658	—	658	15,221	15,879
Konrad M. Wayson ⁽⁹⁾	83,606	—	83,606	4,550	88,156
Dawn M. Willey	46,634	—	46,634	4,717	51,351
Named Executive Officers:					
James M. Burke	87,250	16,745	103,995	16,291	120,286
Charles S. Cullum	—	—	—	29,800	29,800
Todd L. Capitani ⁽¹⁰⁾	48,935	—	48,935	—	48,935
B. Scot Ebron	60,417	4,291	64,708	4,765	69,473
Donna J. Stevens ⁽¹¹⁾	22,192	2,832	25,024	4,304	29,328
Christy Lombardi	61,775	4,117	65,892	4,189	70,081
All directors and executive officers as a group (27 persons)	2,861,652	38,090	2,899,742	171,911	3,071,653

(1) Under the rules of the SEC, an individual is considered to “beneficially own” any share of common stock which he or she, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, has or shares: (a) voting power, which includes the power to vote, or to direct the voting of, such security and/or (b) investment power, which includes the power to dispose, or to direct the disposition, of such security. As to shares reported herein, except as otherwise noted, each person effectively exercises sole voting or dispositive power, or shares voting or dispositive power with spouse.

(2) Includes shares that the named individual or group has the right to acquire through the vesting of restricted stock units within 60 days of February 15, 2026.

(3) Includes restricted stock units and vested and unvested stock units deferred by directors under our Deferred Compensation Plan. Deferred stock units vest on the first anniversary of the date they are credited to the director’s account. Directors have neither voting nor investment power with respect to deferred stock units until the underlying shares are distributed in accordance with the Deferred Compensation Plan.

(4) Includes 350 shares held by Mr. Clemmer’s wife jointly with children.

(5) Includes 7,603 shares held by a company of which Mr. Hyatt is a general partner; 688,080 shares held by trusts for which Mr. Hyatt is co-trustee; and 5,929 shares beneficially owned by Mr. Hyatt’s wife.

(6) Includes 37,192 shares owned by a company in which Mr. Jones has a 50% interest ; 9,279 shares owned by a company in which Mr. Jones has a 22 1/2 % interest ; and 10,315 shares owned by a company in which Mr. Jones has a 16.67% interest.

- (7) Includes 36,702 shares held in trusts for which Ms. McDonald serves as trustee.
- (8) Includes 5,882 shares beneficially owned by the individual retirement account of Mr. Sanders's wife and 6,447 shares held by a trust for which Mr. Sanders is a co-trustee.
- (9) Includes 61,593 shares held in two trusts for which Mr. Wayson serves as trustee.
- (10) Mr. Capitani terminated employment on August 15, 2025. Information is based on the most recent Form 4 filed by Mr. Capitani. Includes 3,285 shares beneficially owned by the 401(k) plan account of Mr. Capitani's wife.
- (11) Includes 60 shares held by Ms. Stevens jointly with children.

Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers and persons who own more than 10% of the outstanding shares of our common stock to file reports with the SEC disclosing their ownership of our common stock. The SEC has established specific dates for such filing, and we are required to report in this proxy statement any failure to file reports in a timely manner during 2025.

Based solely on a review of copies of such reports furnished to us, or on written representations that no reports were required, we believe that all of our directors and executive officers complied in a timely manner with the filing requirements applicable to them with respect to transactions during 2025.

Insider Trading Policy

The Board has adopted an insider trading policy that governs the purchase, sale, and/or other dispositions of our securities by our directors, officers, and employees. We believe that our insider trading policy is reasonably designed to promote compliance with insider trading laws, rules, and regulations, and the exchange listing standards applicable to us. Our insider trading policy may be found on our investor relations website at www.shoreunitedbank.com by selecting "Governance Documents" under "Governance."

Compensation Discussion and Analysis

This section describes our executive compensation philosophy, the material components of our compensation program, and the factors used for determining compensation earned by the following individuals who were our named executive officers in 2025:

James M. Burke

President and Chief Executive Officer

Charles S. Cullum

Executive Vice President and Chief Financial Officer

Todd L. Capitani

Former Chief Financial Officer

B. Scot Ebron

Executive Vice President and Chief Banking Officer

Donna J. Stevens

Executive Vice President and Chief Operating Officer

Christy Lombardi

Executive Vice President and Chief Human Resources Officer

Each of our named executive officers is a member of our executive leadership team, which includes other key members of our senior management.

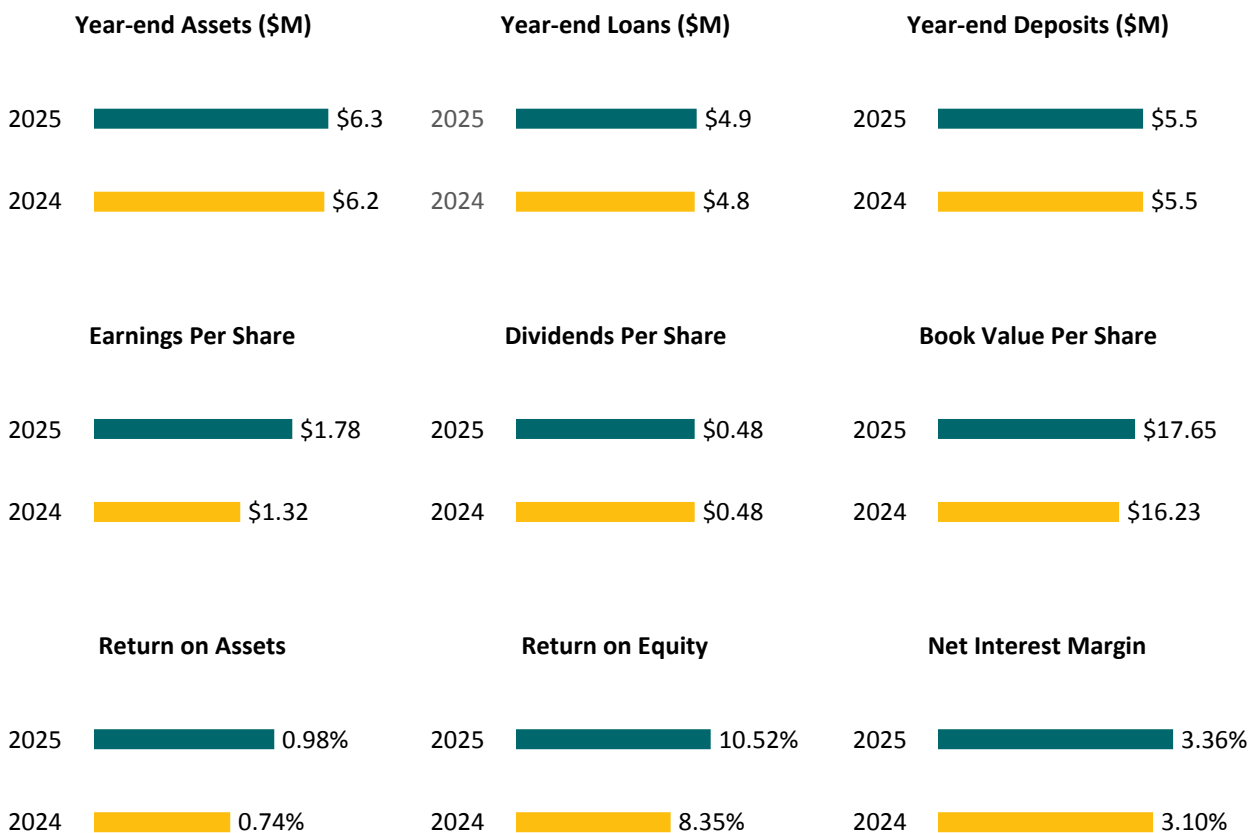
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1. EXECUTIVE SUMMARY

Financial Highlights

2025 was a strong year for the company, highlighted by a significant increase in earnings and improved profitability metrics.



Executive Compensation Philosophy

Our executive compensation programs are designed to pay for performance by linking the compensation our executive officers receive through our various incentive plans to our financial performance. In making compensation decisions, the Compensation Committee considers the practices and compensation levels of the market, our performance and good governance practices. Our goal is to ensure that our compensation programs are competitive in attracting, motivating, and retaining high level executive talent, are commensurate with our financial performance, and are aligned with the interests of our stockholders.

The primary objective of the committee’s approach is to provide competitive levels of compensation so that the company can attract, retain and reward outstanding executive officers. The Compensation Committee recognizes that in a highly competitive community banking marketplace, excellent leadership is essential. Our executive officers are expected to manage our business in a manner that promotes growth and profitability for the benefit of stockholders, while exceeding the requirements and service expectations of our customers. To that end, the Compensation Committee believes that:

- Key executives should have compensation opportunities at levels that are competitive with peer institutions;
- Total compensation should include “at risk” components that are linked to annual and long-term performance results; and
- Stock-based compensation should form a key component of total compensation as a means of linking senior management to the long-term performance of the company and aligning their interests with those of stockholders.

Key Compensation Decisions for 2025

Compensation Element	Committee Determination	Background
Base Salary	All base salaries adjusted based on peer data.	The committee assessed competitive market compensation using a number of data sources including publicly disclosed information on a selected peer group of publicly traded banking organizations. The committee considered other factors, including job responsibilities and scope, adjustments for individual skills and expertise, and internal pay equity.
Short-Term Incentives	Approved cash payouts to the named executive officers at 113.63% of target under the 2025 Short-Term Incentive Program based on company performance.	The company's short-term incentive program provides our named executive officers with the opportunity to earn cash incentive compensation for achieving specific company performance goals aligned with our annual strategic plan.
Long-Term Incentives	Granted performance stock units intended to incentivize performance against metrics aligned with strategic long-term goals and time-based restricted stock units intended to align executive's interests with stockholder interests and promote retention. Grants were adjusted based on peer data.	The company's long-term incentive program delivers long-term incentive opportunities in a combination of time-based vesting restricted stock units and performance-based stock units. Awards under the LTIP are generally granted annually, with overlapping three-year performance cycles. The performance factors include return on average assets and return on average equity measured on a relative basis against a defined group of peer banks over the three-year performance period.
Employment Agreements/ Severance Plan	Allowed employment agreements with named executive officers to expire and implemented a Change in Control Severance Plan to replace individual change in control agreements	None of the named executive officers have employment agreements. The Board adopted a Change in Control Severance Plan to ensure that management can fairly consider potential change in control transactions.

Compensation Tied to Performance

We tie pay to performance by structuring a significant portion of our executives' pay as at-risk compensation (56% for CEO; 41% for other named executive officers) and we align the interests of our executives with those of our shareholders by delivering a meaningful portion of our executives' pay in the form of equity compensation (33% for CEO; 21% for other named executive officers).

- Annual incentive awards are based on our achievement of financial goals that are expected to drive shareholder value. Threshold performance objectives must be achieved for any payout to be earned.
- Equity awards are granted in the form of performance share units (PSUs) and time-based restricted stock units (RSUs). Payout of PSUs is based on achievement of return measures compared to our peers. Threshold performance must be achieved before any PSUs are earned.

"Say-on-Pay" Results

At the 2025 annual meeting of stockholders, 91.7% of the votes cast in our say-on-pay advisory vote were in favor of our executive compensation program. The Compensation Committee will continue to work diligently to ensure that our executive incentive compensation program is consistent with our compensation philosophy and the feedback we receive from our stockholders. The

Compensation Committee will continue to monitor the results of the say-on-pay vote to ensure continued support for our incentive pay program among our stockholders.

Compensation and Governance Practices

Our executive compensation program contains strong governance components that support our compensation philosophy and sound incentive compensation practices.

WE:	WE DO NOT:
✓ Use an independent consultant that is retained by and reports to the Compensation Committee	✗ Provide tax gross-ups to executive officers
✓ Tie a significant portion of executive compensation to performance	✗ Provide “single-trigger” vesting of equity awards upon a change in control
✓ Require a minimum threshold be attained before any incentive compensation is paid	✗ Provide “single-trigger” severance upon a change in control
✓ Impose maximum caps on incentive compensation	✗ Provide excessive perquisites
✓ Require reimbursement or forfeiture (“clawback”) of excess incentive compensation in the event of certain accounting restatements	✗ Permit hedging or pledging of company stock
✓ Require significant stock ownership by our named executive officers, including 2x base salary for our CEO and 1x base salary for our other executive officers	

2. COMPENSATION COMPONENTS

The compensation elements for 2025 included base salary, short-term cash incentives, and long-term incentives in the form of equity.

COMPENSATION ELEMENT	PURPOSE
Base Salary	<ul style="list-style-type: none"> • Provide financial predictability and stability through fixed compensation; • Provide a salary that is market competitive; • Promote the retention of executives; and • Provide fixed compensation that reflects the scope, scale and complexity of the executive’s role.
Short-Term Cash Incentives	<ul style="list-style-type: none"> • Align management and stockholder interests; • Provide appropriate incentives to achieve our annual operating plan; • Provide market competitive cash compensation when targeted performance objectives are met; and • Provide appropriate incentives to exceed targeted results.
Long-Term Equity Incentives	<ul style="list-style-type: none"> • Align management and long-term stockholder interests; • Balance the short-term nature of other compensation elements with long-term retention of executive talent; • Focus our executives on the achievement of long-term strategies and results; • Create and sustain stockholder value; and • Support the growth and operational profitability of the company.
Non-Qualified Retirement and Deferred Compensation Benefits	<ul style="list-style-type: none"> • Provide supplemental retirement benefits or deferred compensation to provide a competitive compensation package.

3. EXECUTIVE COMPENSATION GOVERNANCE AND PROCESS

Executive Compensation Process

Role of the Compensation Committee – The Compensation Committee, which consists entirely of independent directors, is responsible for approving the compensation for all executive officers, including our CEO and other named executive officers, and for overseeing and administering our executive compensation program. The committee is responsible for, among other things: reviewing and approving the company’s compensation strategy and practices with respect to the executive officers; determining the CEO’s compensation; reviewing and approving the goals and objectives relevant to the CEO’s compensation, and evaluating the performance of the CEO in light of such goals and objectives; approving employment agreements and severance arrangements with the CEO and other executive officers; reviewing and approving the peer group of companies used to benchmark executive and director compensation; administering our senior executive incentive compensation program, including the development of plan design, the selection of performance metrics, the designation of specific performance goals and award opportunities, and the certification of performance results; and administering our equity and retirement plans. The chair of the committee reports committee actions to the Board following each committee meeting.

Role of Compensation Consultant – The committee engages an independent executive compensation consultant to provide commentary, analysis, and expertise relating to executive compensation. For 2025, the committee engaged Aon as its independent executive compensation consultant. Representatives of Aon attend meetings and support the committee’s deliberations regarding executive compensation. Aon performs various analyses for the committee, including peer group benchmarking and analyses regarding the alignment of pay and performance. While the committee considers input from the independent consultant, the committee’s decisions are the product of many factors and considerations.

The committee has sole authority and discretion to retain and terminate Aon and to approve the fees, scope and other terms of Aon’s engagement, with full funding provided by the company.

During 2025, the committee considered Aon’s independence in light of SEC rules and regulations and Nasdaq Listing Rules regarding compensation consultant independence and affirmatively determined that Aon is independent from the company and has no conflicts of interest relating to its engagement by the committee.

Timing of Executive Compensation Decisions – The committee meets throughout the year and periodically receives input from the independent compensation consultant on emerging industry trends and best practices. Each year, the committee typically reviews peer group composition and benchmarking data for the executive officers, followed by consideration of changes to base pay and short-and long-term incentive opportunities. Additionally, during the first calendar quarter, the committee typically adopts short-and long-term incentive plans for the current year.

CEO’s Role in the Compensation Process – The CEO provides the committee with his evaluation of the other executive officers’ performance and recommends compensation adjustments and incentive opportunities for the current year for all executive officers, other than himself. In making his compensation recommendations for each of the executive officers, our CEO considers individual performance, contributions toward our long-term performance, the scope of each individual’s responsibilities, and market data provided by the committee’s independent compensation consultant. Exercising its independent judgment, the committee made final decisions for 2025 compensation opportunities. Our CEO does not make recommendations with respect to his own compensation and is not present during discussions regarding his own compensation or final decisions of the Compensation Committee regarding compensation of the other executive officers.

Peer Group

The committee reviews both compensation and performance at peer companies to inform its decision-making process so it can set total compensation opportunities that it believes are commensurate with the market and the company’s performance. The committee used peer data provided from Aon to evaluate base salaries and compensation opportunities for the company’s executive officers. However, the committee also considers other factors when setting compensation, including specific job responsibilities and scope, adjustments for individual skills and expertise, and internal pay equity. The committee engaged Aon to

propose a peer group for use in making 2025 executive and director compensation decisions, which was ultimately approved by the committee.

For 2025, the committee selected publicly traded companies with assets between approximately \$3.5 to \$12 billion (approximately one-half to two times the asset size of the company) from Maryland, New Jersey, New York, North Carolina, Pennsylvania, Virginia, West Virginia, Ohio and South Carolina. The median asset size of the peer group was \$6.2 billion, placing the company at the 48th percentile based on assets as of December 31, 2023. Compared to the peer group used for 2024, Summit Financial Group, Inc. was removed because it was acquired in the last year, and NBT Bancorp Inc. was removed because it had increased in asset size.

The peer group used by the Committee for establishing 2025 compensation was comprised of the following 23 companies:

Arrow Financial Corporation (AROW)	Kearny Financial Corp. (KARNY)
Carter Bankshares, Inc. (CARE)	Mid Penn Bancorp, Inc. (MPB)
City Holding Company (CHCO)	Park National Corporation (PRK)
Civista Bancshares, Inc. (CIVB)	Peoples Bancorp, Inc. (PEBO)
CNB Financial Corporation (CCNE)	Peoples Financial Services Corp. (PFIS)
Eagle Bancorp, Inc. (EGBN)	Premier Financial Corp. (PFC)
Farmers National Banc Corp. (FMNB)	Primis Financial Corp. (FRST)
Financial Institutions, Inc. (FISI)	S&T Bancorp, Inc. (STBA)
First Bancorp (FBNC)	Southern First Bancshares, Inc. (SFST)
First Commonwealth Financial Corporation (FCF)	Tompkins Financial Corporation (TMP)
The First of Long Island Corporation (FLIC)	Univest Financial Corporation (UVSP)
HomeTrust Bancshares, Inc. (HTB)	

4. 2025 COMPENSATION

Base Salary

The Compensation Committee reviews the base salary of our named executive officers on an annual basis. In 2025, the committee considered a range of factors in connection with its review, including peer data, the role of each executive in the company's leadership team, and the positioning of each executive's base pay relative to other senior executives. The committee generally targets compensation at the median of the peer group, while also considering factors such as corporate and individual performance in establishing appropriate compensation levels. The increases for Mr. Burke and Mr. Ebron reflect an ongoing process for establishing market-competitive compensation for their roles following the company's growth in recent years in addition to performance and internal equity considerations. The resulting salary adjustments, shown below, were effective January 1, 2025.

Name	2024 Base Salary	Amount of Increase	2025 Base Salary	Percent Increase
James M. Burke	\$ 635,600	\$ 64,400	\$ 700,000	10.1%
Charles S. Cullum			\$ 430,000	
Todd L. Capitani	\$ 375,000	\$ 25,000	\$ 400,000	6.7%
B. Scot Ebron	\$ 390,000	\$ 40,000	\$ 430,000	10.3%
Donna J. Stevens	\$ 370,000	\$ 10,000	\$ 380,000	2.7%
Christy Lombardi	\$ 360,000	\$ 10,000	\$ 370,000	2.8%

Incentive Awards Related to New Hires

In December 2024, Mr. Capitani notified the Board of his plan to retire from the position of Chief Financial Officer, effective August 15, 2025. To attract and retain Mr. Cullum to the position of Chief Financial Officer, he received a grant of RSUs with a fair market

value of \$200,000 on July 29, 2025. On November 21, 2025, Mr. Cullum received a second grant of RSUs with a fair market value of \$200,000 to compensate him for benefits that were lost in connection with his departure from his prior position and in recognition of the substantial contributions he had made to the company.

2025 Target Award Opportunities

Our executive officers have a target award opportunity for short-term and long-term incentives, which represents the amount of award received if we achieve the performance goals set by the committee. In determining the target award opportunity for each executive, the committee considers, among other things, the overall mix of total compensation, as well as the value of cash incentive and equity-based compensation awarded to comparable officers at our peer companies. The table below summarizes the award opportunities for the named executive officers at the target level of performance.

Name	2025 Target Award Opportunities (as a % of base salary)	
	Short-Term Incentive Award Opportunity	Long-Term Incentive Award Opportunity
James M. Burke	50%	70%
Charles S. Cullum	35%	35%
Todd L. Capitani	35%	35%
B. Scot Ebron	35%	35%
Donna J. Stevens	35%	35%
Christy Lombardi	35%	35%

For 2025, target payout opportunities for short- and long-term incentive awards as a percentage of base salary increased as part of the committee’s efforts to align executive compensation with the peer group and the company’s performance. Mr. Burke’s short-term incentive opportunity award increased from 30% of base salary to 50% of base salary and his long-term incentive award opportunity increased from 50% of base salary to 70% of base salary. For the other named executive officers, the short-term incentive award opportunity increased from 25% of base salary to 35% of base salary and the long-term incentive award opportunity increased from 25% of base salary to 35% of base salary.

2025 Short-Term Incentive Program (“2025 STIP”)

The short-term incentive program provides our executive officers with the opportunity to earn cash incentive compensation for their success in achieving specific company performance goals. The program establishes threshold, target and maximum incentive opportunities tied to performance factors aligned with our annual strategic plan.

The performance measures and respective weights for 2025 were as follows:

Corporate Goal	Weight
Pre-tax, pre-provision return on average assets (excluding M&A costs)	40%
Net operating expense/average assets	20%
Average noninterest-bearing deposits/total average retail deposits	20%
Net interest margin	20%

Each financial metric was assigned a “threshold” or minimum performance level, a “target” level of performance, and a maximum level at which the award opportunity was capped. The targets for each of the financial metrics used in the 2025 STIP were determined by reference to our 2025 financial plan. Achievement of the threshold performance level earns 50% of the target opportunity, achievement at the target performance level earns the target award, and achievement at or above the maximum

performance level earns 150% of the target opportunity. Actual results for any metric that falls between performance levels are interpolated to calculate a proportionate award.

Awards under the STIP are calculated as follows:



Financial Metrics for 2025 STIP	How We Calculate this Metric	Why We Use this Metric
Pre-tax, pre-provision return on average assets (excluding M&A costs)	Net income before taxes and the provision for credit losses and excluding any mergers and acquisitions expenses, divided by average assets.	It reflects the operating performance of our business operations.
Net operating expense/average assets	Non-interest expenses (excluding amortization charges and certain other non-recurring expenses), less non-interest income, divided by average assets.	It is a measure of operating expense control and efficiency of operations and is highly useful in comparing period-to-period operating performance of our business operations.
Average noninterest-bearing deposits/total average retail deposits	Average noninterest-bearing deposits divided by average deposits, excluding brokered deposits.	Noninterest-bearing deposits are a key driver of profitability.
Net interest margin	Interest income minus interest expense, divided by average earning assets.	It reflects how well we are using our earning assets and managing our interest-bearing liabilities to produce net interest income.

The committee retains the discretion to increase, decrease, or eliminate STIP awards based on positive or negative business factors, including financial performance. If the company falls below well-capitalized status, no amounts will be paid. If non-performing assets exceed 1% of total assets or if the liquidity coverage ratio, which measures the level of high-quality liquid assets, falls below 10%, the committee may reduce the STIP award in its discretion.

Following year end, the committee determines the amount to be awarded to each executive officer by comparing the company's financial results to the established performance goals for 2025. The levels of performance for each performance factor and the actual results are noted below.

Corporate Goal	Threshold Performance Level (50% of Target Funding)	Target Performance Level (100% of Target Funding)	Maximum Performance Level (150% of Target Funding)	2025 Actual Performance	Payment Level	Weight	Weighted Payment Level
Pre-tax, pre-provision return on average assets (excluding M&A costs)	1.25%	1.41%	1.57%	1.43%	106.25%	40%	42.50%
Net operating expense/average assets	1.71%	1.63%	1.55%	1.59%	125.00%	20%	25.00%
Average noninterest-bearing deposits/total average retail deposits	28.50%	30.00%	31.50%	29.42%	80.65%	20%	16.13%
Net interest margin	3.20%	3.25%	3.30%	3.36%	150.00%	20%	30.00%
							113.63%

Based on the performance described above, the committee approved the following STIP awards for 2025:

	2025 STIP Award (\$)
James M. Burke	397,717
Charles S. Cullum	171,018
Todd L. Capitani	—
B. Scot Ebron	171,018
Donna J. Stevens	151,132
Christy Lombardi	147,155

2025 Long-Term Incentive

The Company's Long-Term Incentive Program ("LTIP") delivers long-term incentive opportunities in a combination of time-based vesting restricted stock units and performance-based units. Awards under the LTIP are generally granted annually, with overlapping three-year restriction/performance cycles.

The 2025 target LTIP award opportunity was 75% of base salary for the CEO and 35% of base salary for the other NEOs. The target long-term incentive award opportunity for each named executive office was allocated equally among time-based restricted stock units ("RSUs"), which vest ratably over a three-year period, and performance share units ("PSUs") as noted below.

Name	Performance Stock Units (#)	Restricted Stock Units (#)
James M. Burke	17,418	17,418
Charles S. Cullum	4,744	4,744
Todd L. Capitani	4,644	4,644
B. Scot Ebron	4,993	4,993
Donna J. Stevens	4,412	4,412
Christy Lombardi	4,296	4,296

For 2025, the committee selected return on average assets (ROAA) and return on average equity (ROAE) as the performance metrics, with payouts based on our average annual ROAA and ROAE performance relative to a defined group of peer banks over the period of January 1, 2025, through December 31, 2028. The performance measurement group for the 2025 PSU awards consists of 85 financial institutions with assets between \$3.5 billion and \$12 billion that are traded on NYSE or NASDAQ. ROAA is defined as net income divided by average assets. ROAE is defined as net income divided by average equity. The committee selected these metrics because they are comprehensive performance metrics that are useful in comparing our performance with that of similarly sized companies.

PSUs awarded in 2025 will vest according to performance against the following goals:

Performance Measure	Weighting	Measurement Perspective	Performance Goals		
			Threshold	Target	Stretch
ROAA	50.00%	Relative to Peer Banks	25th Percentile	50th Percentile	75th Percentile
ROAE	50.00%	Relative to Peer Banks	25th Percentile	50th Percentile	75th Percentile
Payout as a % of Target			50.00%	100.00%	150.00%

At the end of the three-year performance period, our executive officers can earn between 0% to 150% of the target number of PSUs granted based on the percentile rank of our average ROAA and average ROAE for the three-year performance period relative to the average ROAA and ROAE of the companies in the peer group. Actual performance between the 25th percentile and the 75th percentile will be interpolated to calculate a proportionate award. Performance and the resulting payouts will be determined as soon as practicable following the filing of the company's Annual Report on Form 10-K for the fiscal year ending December 31, 2027.

Deferred Compensation Benefit

As described below under "Other Compensation Programs and Policies – Retirement Benefits," Mr. Burke, Mr. Capitani, Ms. Stevens, and Ms. Lombardi are parties to supplemental executive retirement plans that provide them with supplemental retirement income benefits. For those executive officers, including Mr. Cullum and Mr. Ebron, who are not parties to such agreements, the company makes a discretionary contribution on behalf of the executive under the company's Deferred Compensation Plan. For 2025, the company discretionary contribution, which vests on the third anniversary of the date of the contribution, was equal to 8% of the executive's base salary.

Company contributions for 2025 are shown in the Bonus column of the Summary Compensation Table on page 37 and in the Nonqualified Deferred Compensation table on page 43.

5. OTHER COMPENSATION PROGRAMS AND POLICIES

Retirement Benefits

Supplemental Retirement Benefits – Mr. Burke, Mr. Capitani, and Ms. Lombardi are parties to supplemental executive retirement plans (SERPs) of The Community Financial Corporation that provide supplemental retirement income benefits to the executives. The company assumed the SERPs in connection with its merger with The Community Financial Corporation in 2023. Ms. Stevens is a party to a SERP with Shore United Bank that provides her with a supplemental retirement income benefit. See "Executive Compensation – Pension Benefits" on page 41 for additional information on these SERPs.

Deferred Compensation – Executive officers are eligible to participate in the Deferred Compensation Plan, which provides deferred compensation benefits for a select group of management and highly compensated employees, including the named executive officers. The Deferred Compensation Plan provides participants with the option to defer receipt of a portion of their base salary and annual cash incentives. Participant contributions will be fully vested at all times. At its sole discretion, the company may credit participant accounts with company contributions. The company determines who will receive discretionary contributions, as well as the amounts and timing of any such contributions. Distributions of participant accounts will be made following a participant's separation from service, death, disability, unforeseeable emergency, or as of a future payment date specified by the participant. Participants' accounts increase or decrease based on the hypothetical investment of the account balances in one or more investment funds and are credited and debited in accordance with the actual financial performance of such funds. Participants elect the investment funds in which their accounts are hypothetically invested. Contributions during 2025 and year-end account balances can be found under "Executive Compensation – Nonqualified Deferred Compensation" on page 43.

Other Compensation Elements

401(k) Plan – Executive officers are eligible to participate in benefit plans available to all employees, including the Shore United Bank 401(k) Plan. The 401(k) plan provides a 100% match on the first 3% of salary deferred and a 50% match on the next 2% of salary deferred, up to the maximum allowed by IRS regulations.

Life Insurance Benefits – The Bank is a party to individual split-dollar life insurance arrangements with Mr. Burke, Ms. Stevens, and Ms. Lombardi. These arrangements provide each executive's beneficiary with pre-retirement death benefits. The company has purchased life insurance policies on the lives covered by these agreements in amounts sufficient to provide payments to the beneficiaries, and the company pays the premiums due on the policies as an additional employment benefit. The economic benefit (the imputed income amount of this insurance) to the executive officer is included in the amounts for each of these executive officers set forth in the Summary Compensation Table under the column "All Other Compensation." Under these arrangements, Mr. Burke and Ms. Lombardi are entitled to a pre-retirement split dollar benefit amount equal to the lesser of \$500,000 or the net

amount at risk insurance portion of the proceeds in the event of their death prior to age 65 and an amount equal to the lesser of \$100,000 or the net amount at risk insurance portion of the proceeds in the event of their death at or after age 65. The net amount at risk portion is the total proceeds less the cash value of the policy. The arrangement for Ms. Stevens provides a split dollar benefit amount equal to \$843,533 limited to 100% of the net amount at risk insurance portion of the proceeds. The split-dollar life insurance agreements with Mr. Burke, Ms. Lombardi, and Ms. Stevens will terminate upon their termination of employment.

Perquisites – We annually review the perquisites that we make available to our named executive officers. The primary perquisites for these individuals include automobile allowances and certain club dues. The value of these perquisites, where applicable, are represented under “All Other Compensation” in the Summary Compensation Table on page 37.

Severance Benefits

Our Change in Control Severance Plan provides the named executive officers with severance benefits if their employment is terminated under certain circumstances in connection with a change in control of the company. The committee believes that providing for change in control benefits is an important element of our executive compensation program, supports the creation of long-term stockholder value, and is necessary to attract and retain top executive talent in a competitive market. The Change in Control Severance Plan is intended to ensure that management can fairly consider potential change in control transactions that could result in loss of their jobs. The Change in Control Severance Plan does not provide for any tax indemnification or “gross-up” payments for any golden parachute excise tax payments, and all change in control benefits are subject to a “double-trigger” (i.e., a change in control plus a qualifying termination of employment).

The severance benefits payable to each named executive officer under the Change in Control Severance Plan are described on page 44 under the “Executive Compensation Tables – Potential Payments upon Termination or Change in Control” section of this proxy statement.

Risk Considerations

The Company engages in the following practices to ensure its executive compensation program is aligned with stockholders’ interests and protects us against risk. We believe that the design and objectives of our executive compensation program provide an appropriate balance of incentives for executives and avoid inappropriate risks. The Committee considers, in establishing and reviewing the executive compensation program, whether the program encourages unnecessary or excessive risk taking and has concluded that it does not. In this regard, our executive compensation program includes, among other things, the following plan design features:

- Variable compensation based on a variety of performance goals
- Committee discretion to lower annual incentive award amounts
- A mix of short-term and long-term incentives
- Stock ownership requirements
- Clawback provisions

The committee conducts an annual evaluation of all of the company’s compensation programs, policies and practices to ensure that compensation policies and incentive compensation programs in place are not reasonably likely to have a material adverse impact on the company and do not encourage our employees to take excessive risks.

Executive Compensation Policies

Clawback Policy – Pursuant to the company’s clawback policy, incentive-based compensation awarded to, earned by, or vested with any of our executive officers is subject to recoupment by the company to the extent it exceeds the compensation that properly would have been awarded to, earned by, or vested with that executive officer but for accounting errors impacting the calculation of that compensation, and which are subject of an accounting restatement required to be prepared by the company. Under the policy, any recoupment is limited to excess compensation received by the executive officer during the three completed fiscal years preceding the date the company is required to prepare the accounting restatement, and no finding of fault of the executive officer is required. The committee has the exclusive power and authority to administer the policy, including to interpret the policy’s provisions and to make all determinations deemed necessary or advisable for the policy’s administration.

Executive Stock Ownership Policy – Under the company's Executive Stock Ownership Policy, executive officers are expected to accumulate shares of Company Common Stock toward target ownership levels that are based on a multiple of base salary and a retention ratio for owned shares or shares acquired from equity awards. Our Chief Executive Officer has a target of two times base salary and other executive officers have a target of one times base salary. The retention ratio is 100% of net profit shares. Executives are expected to hold 100% of the shares remaining after payment of an option exercise price and taxes owed upon exercise and/or hold 100% of newly vested shares of company stock after taxes are paid until the executive reaches his or her required multiple.

Anti-Hedging and Pledging Policies – Under the company's Insider Trading Policy, our directors and executive offices are prohibited from shorting company securities, entering into hedging or similar transactions that are designed to offset any decrease in the market value of company securities, borrowing against any account in which company securities are held, and, except in limited circumstances, pledging company securities for collateral for any loan.

Tax and Accounting Considerations

In consultation with our advisors, we evaluate the tax and accounting treatment of each of our compensation programs at the time of adoption and periodically thereafter to ensure that we understand the financial impact of each program on the company. Our analysis includes a review of recently adopted and pending changes in tax and accounting requirements. As part of our review, we consider modifications and/or alternatives to existing programs to take advantage of favorable changes in the tax or accounting environment or to avoid adverse consequences. To the greatest extent possible, we structure our compensation programs in a tax efficient manner. However, Section 162(m) of the Internal Revenue Code of 1986, as amended, limits our ability to deduct for tax purposes compensation in excess of \$1 million paid to certain executive officers. We expect that compensation paid to our named executive officers in excess of \$1 million, including compensation paid to any executive who has been a named executive officer since 2017, generally will not be deductible. When designing our compensation structure, the committee considers all relevant factors to attract, incentivize, and retain key executives.

Equity Compensation Grant and Award Practices

We do not currently grant stock options as part of our equity compensation programs and, therefore, we do not currently have a policy or practice governing the timing of such awards. For grants of other equity awards, such as restricted stock units, restricted stock and performance stock units, our Compensation Committee and Board, as applicable, generally grants such awards on an annual basis based on a predetermined schedule, with awards typically granted at the beginning of each new fiscal year to incentivize the achievement of our strategic objectives and long-term results. As such, the Compensation Committee does not currently take material non-public information into account when determining the timing and terms of equity awards, as the timing of grants is in accordance with such predetermined annual schedule. Similarly, we do not time the release of material, non-public information based on equity award grant dates for the purpose of affecting the value of any awards. In addition, equity awards may be granted at other times during the year to new hires, employees receiving promotions, and in other special circumstances. In addition, the Compensation Committee can delegate authority to one or more executive officers to make grants to employees who are not executive officers.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the foregoing Compensation Disclosure and Analysis with management. Based on this review and discussion, the committee recommended to the Board that this Compensation Disclosure and Analysis be included in this proxy statement.

March 23, 2026

Louis P. Jenkins, Jr., Chair
Michael B. Adams
William E. Esham III
David S. Jones
Clyde V. Kelly III
John A. Lamon III
David W. Moore

Executive Compensation

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus ⁽¹⁾ (\$)	Stock Awards ⁽²⁾ (\$)	Non-Equity Incentive Plan Compensation ⁽³⁾ (\$)	Change in Pension Value & Nonqualified Deferred Compensation Earnings ⁽⁴⁾ (\$)	All Other Compensation ⁽⁵⁾ (\$)	Total (\$)
James M. Burke <i>President and Chief Executive Officer</i>	2025	700,000	—	524,978	397,717	111,642	37,761	1,772,098
	2024	635,600	—	317,798	61,704	111,764	44,724	1,171,590
	2023	247,200	312,476	155,008	—	58,825	25,511	799,020
Charles S. Cullum ⁽⁶⁾ <i>EVP, Chief Financial Officer</i>	2025	302,654	34,400	550,495	171,018	—	18,400	1,076,967
Todd L. Capitani ⁽⁷⁾ <i>Former Chief Financial Officer</i>	2025	250,192	—	139,970	—	118,396	60,451	569,009
	2024	375,000	—	93,730	30,338	210,718	31,585	741,371
B. Scot Ebron ⁽⁸⁾ <i>EVP, Chief Banking Officer</i>	2025	430,000	34,400	150,490	171,018	—	18,075	803,983
Donna J. Stevens <i>EVP, Chief Operations Officer</i>	2025	380,000	—	132,978	151,132	143,591	23,031	830,732
	2024	370,000	—	92,484	29,933	142,123	31,561	666,101
	2023	345,000	105,941	45,570	—	132,071	14,909	643,491
Christy Lombardi ⁽⁸⁾ <i>EVP, Chief Human Resources Officer</i>	2025	370,000	—	129,482	147,155	44,588	27,235	718,460

- (1) **Bonus.** The amounts reported for 2025 are company discretionary contributions to the Deferred Compensation Plan.
- (2) **Stock Awards.** The amounts reported are the aggregate grant date fair value of restricted stock units (“RSUs”) and performance share units (“PSUs”) granted in the year shown computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718. The values in this column reflect the full grant date fair value of all equity awards granted during the year, although RSUs are subject to vesting periods based on continued employment and the number of PSUs that vest depends on whether we achieve specified performance measures. For more information about these awards and the calculation of their fair value, see Note 10 – Stock-Based Compensation in the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2025. 2025 stock awards are described under “Compensation Discussion and Analysis – 2025 Compensation,” and details regarding these awards can be found in the Grants of Plan-Based Awards table. Details regarding outstanding stock awards can be found in the Outstanding Equity Awards at Fiscal Year-End table.

For 2025, the grant date fair value of PSUs included in this column is based on payout at target, which we have determined to be the probable level of achievement of the performance measures related to these awards. Assuming the highest level of performance is achieved, which would result in the vesting of 150% of the PSUs granted, the grant date value of the PSUs would be: \$393,734 for Mr. Burke; \$112,860 for Mr. Cullum; \$104,978 for Mr. Capitani; \$112,874 for Mr. Ebron; \$99,733 for Ms. Stevens; and \$97,111 for Ms. Lombardi.

- (3) **Non-Equity Incentive Plan Compensation.** For 2025, the amounts reported represent cash awards earned in 2025 under the STIP.
- (4) **Changes in Pension Value and Non-qualified Deferred Compensation Earnings.** We do not provide any above-market or preferential earnings on non-qualified deferred compensation. The amounts reported represent the aggregate change in the present value of accumulated benefits under SERPs from the prior completed fiscal year to the current fiscal year.

- (5) **All Other Compensation.** Details of the amounts of All Other Compensation for 2025 is as follows:

Name	401(k) Matching Contributions (\$)	Imputed Income on Life Insurance (\$)	Perquisites^(a) (\$)	Total All Other Compensation (\$)
James M. Burke	14,000	2,499	21,262	37,761
Charles S. Cullum	10,419	258	7,723	18,400
Todd L. Capitani	11,968	1,181	47,302	60,451
B. Scot Ebron	14,000	806	3,269	18,075
Donna J. Stephens	11,485	4,217	7,329	23,031
Christy Lombardi	11,965	994	14,276	27,235

(a) Perquisites consist of the following: personal use of a company-owned automobile for each of the named executive officers; club dues for Mr. Burke; company contribution to health savings account for Mr. Burke, Mr. Cullum, Mr. Capitani, and Ms. Stevens; service award for Mr. Burke; insurance opt-out stipend for Ms. Lombardi; payout of unused paid time-off for Mr. Capitani; and transfer to Mr. Capitani of company-owned vehicle, valued at \$34,901.

- (6) Mr. Cullum joined the Company as Chief Financial Officer on April 21, 2025.
- (7) Mr. Capitani terminated employment on August 15, 2025.
- (8) Mr. Ebron and Ms. Lombardi were not named executive officers in 2024 or 2023.

Grants of Plan-Based Awards

The following table sets forth information on plan-based awards made to the named executive officers in 2025.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Possible Payouts Under Equity Incentive Plan Awards ⁽²⁾⁽³⁾			All Other Stock Awards: Number of Shares of Stock (#)	Grant Date Fair Value of Stock Awards ⁽⁴⁾ (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
James M. Burke	RSU	2/27/2025						17,418	262,489
	PSU	2/27/2025			8,709	17,418	26,127		262,489
	STIP		\$ 175,000	\$ 350,000	\$ 525,000				
Charles S. Cullum	RSU	7/29/2025						12,485	200,010
	RSU	8/21/2025						4,744	75,240
	PSU	8/21/2025				2,372	4,744	7,116	75,240
	RSU	11/19/2025						12,571	200,005
	STIP		75,250	150,500	225,750				
Todd L. Capitani	RSU	2/27/2025						4,644	69,985
	PSU	2/27/2025				2,322	4,644	6,966	69,985
	STIP		70,000	140,000	210,000				
B. Scot Ebron	RSU	2/27/2025						4,993	75,245
	PSU	2/27/2025				2,497	4,993	7,490	75,245
	STIP		75,250	150,500	225,750				
Donna J. Stevens	RSU	2/27/2025						4,412	66,489
	PSU	2/27/2025				2,206	4,412	6,618	66,489
	STIP		66,500	133,000	199,500				
Christy Lombardi	RSU	2/27/2025						4,296	64,741
	PSU	2/27/2025				2,148	4,296	6,444	64,741
	STIP		64,750	129,500	194,250				

- (1) The amounts in these columns represent the threshold, target and maximum amounts of potential cash incentive payments that may be earned under the STIP as established by the Compensation Committee. The awards are described under "Compensation Discussion and Analysis – 2025 Compensation." The actual amounts earned by each executive are disclosed in the Summary Compensation Table.
- (2) The amounts in these columns represent the threshold, target and maximum number of shares that may be earned with respect to PSUs granted in 2025. Earned shares will be paid following the end of the 2025-2027 performance period, based on the extent to which the performance measures have been achieved. These awards are described under "Compensation Discussion and Analysis – 2025 Compensation."
- (3) PSUs will be credited with dividends paid on company stock during the time period when the PSUs are outstanding, which will be adjusted for performance and paid out in cash if and when the underlying PSU is earned and paid.
- (4) The amounts reported are the aggregate grant date fair value of RSU and PSU awards computed in accordance with FASB ASC Topic 718. Refer to note 2 to the Summary Compensation Table for additional detail on the grant date fair value of awards. Details regarding outstanding stock awards can be found in the Outstanding Equity Awards at Fiscal Year-End table.

Outstanding Equity Awards at Fiscal Year End

The following table provides information regarding all unvested equity awards held by the named executive officers at December 31, 2025.

Name	Grant Date	Stock Awards			
		Number of shares or units of stock that have not vested ⁽¹⁾⁽²⁾⁽³⁾ (#)	Market value of shares or units of stock that have not vested ⁽⁴⁾ (\$)	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested ⁽⁵⁾⁽⁶⁾ (#)	Equity incentive plan awards: Market value or payout value of unearned shares, units or other rights that have not vested ⁽⁴⁾ (\$)
James M. Burke	3/6/2023	6,260	110,677		
	3/7/2024	9,358	165,449	14,037	248,174
	2/27/2025	17,418	307,950	17,418	307,950
Charles S. Cullum	7/29/2025	12,485	220,735		
	8/21/2025	4,744	83,874	4,744	83,874
	11/19/2025	12,571	222,255		
B. Scot Ebron	3/6/2023	1,192	21,075		
	3/7/2024	2,871	50,759	4,306	76,130
	2/27/2025	4,993	88,276	4,993	88,276
Donna J. Stevens	3/7/2024	2,724	48,160	4,085	72,223
	2/27/2025	4,412	78,004	4,412	78,004
Christy Lombardi	3/6/2023	1,360	24,045		
	3/7/2024	2,650	46,852	3,975	70,278
	2/27/2025	4,296	75,953	4,296	75,953

- (1) *2023 RSUs*. These units vested on March 6, 2026. Includes performance units for the 2023-2025 performance period that were issued by The Community Financial Corporation and assumed by the company and converted to time-based restricted stock units in connection with the merger with The Community Financial Corporation.
- (2) *2024 RSUs*. One half of these units vested on March 7, 2026, and one half of these units is scheduled to vest on March 7, 2027.
- (3) *2025 RSUs*. One third of the units granted on February 27, 2025, vested on February 27, 2026, one third of these units is scheduled to vest on February 27, 2027, and one third of these units is scheduled to vest on February 27, 2028. The RSUs granted to Mr. Cullum in 2025 are scheduled to vest in equal installments on the first, second, and third anniversary of the grant date.
- (4) Aggregate market values were computed by multiplying the closing price per share of company common stock of \$17.68 per share on December 31, 2025, by the number of unvested units.
- (5) *2024 PSUs*. Vesting is subject to the achievement of specific performance measures. The number of PSUs shown in the table assumes the target level of performance is achieved. The actual number of shares to be earned will be determined based on the 2024 – 2026 performance period.
- (6) *2025 PSUs*. Vesting is subject to the achievement of specific performance measures. The number of PSUs shown in the table assumes the target level of performance is achieved. The actual number of shares to be earned will be determined based on the 2025 – 2027 performance period.

Stock Vested in 2025

The following table provides information for each of our named executive officers regarding the vesting of stock awards during 2025. The value realized upon the vesting of stock awards is based on the market price of company stock on the vesting date. None of the named executive officers held or exercised any stock options in 2025.

Name	Stock Awards	
	Number of Shares Acquired on Vesting ⁽¹⁾ (#)	Value Realized Upon Vesting (\$)
James M. Burke	15,332	213,491
Charles S. Cullum	—	—
Todd L. Capitani	12,695	177,437
B. Scot Ebron	4,382	67,497
Donna J. Stevens	3,332	51,042
Christy Lombardi	14,274	228,444

(1) Reflects the gross number of RSUs that vested and were settled and paid in 2025 and includes any amount that were withheld for applicable taxes.

Pension Benefits

The following table provides information regarding the Supplemental Executive Retirement Plans, or SERPs, and Salary Continuation Agreements with our named executive officers.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefits ⁽¹⁾ (\$)	Payments During Last Fiscal Year (\$)
James M. Burke	Salary Continuation Agreement dated as of August 21, 2006, as amended and restated as of April 30, 2018	19	573,476	—
	SERP Agreement dated as of January 1, 2011, as amended and restated as of April 30, 2018	12	380,490	—
	SERP Agreement dated as of November 14, 2014, as amended and restated as of April 30, 2018	12	78,033	—
Todd L. Capitani	SERP Agreement dated as of January 1, 2011, as amended and restated as of April 30, 2018	12	468,992	—
	SERP Agreement dated as of November 1, 2014, as amended and restated as of April 30, 2018	12	670,445	—
Donna J. Stevens	SERP Agreement dated July 19, 2019, as amended March 1, 2022	6	766,118	—
Christy Lombardi	SERP Agreement dated as of November 1, 2014, as amended and restated as of April 30, 2018	12	329,789	—

(1) The present value of accumulated benefits represents the current liability included in the company's accounting records with respect to the Salary Continuation Agreement and SERP agreements. The Company accounts for the Salary Continuation Agreement and SERP agreements in accordance with ASC 710-10 (Accounting for Post-Retirement Benefits Other than Pensions). For additional information, see Note 12 — Deferred Compensation in the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K.

Supplemental Executive Retirement Plans – James M. Burke, Todd L. Capitani, and Christy Lombardi

Mr. Burke, Mr. Capitani, and Ms. Lombardi are parties to SERPs with The Community Financial Corporation that provide supplemental retirement income benefits to the executives. The company assumed the SERPs in connection with its merger with The Community Financial Corporation in 2023. Pursuant to the SERPs, upon termination of service at or after attaining normal retirement age (age 65), the executive will receive an aggregate annual benefit in the amount of \$74,434 for Mr. Burke, \$154,711 for Mr. Capitani, and \$149,338 for Ms. Lombardi payable for a period of 15 years. A reduced benefit is payable if the executive retires before normal retirement age or terminates service with us for other reasons. Because Mr. Capitani terminated employment following a change in control of The Community Financial Corporation, under the benefit formula in the SERPs he will be entitled to his normal retirement benefit, paid in 15 annual installments commencing the first day of the second month following the month in which he attains normal retirement age. Additional information regarding the SERPs is provided under “Potential Payments upon Termination or Change in Control – Other Payments” below.

Salary Continuation Agreement – James M. Burke

Mr. Burke is a party to a Salary Continuation Agreement with The Community Financial Corporation that provides him with additional compensation at retirement. Pursuant to the Salary Continuation Agreement, upon Mr. Burke’s termination of service at or after attaining normal retirement age (age 65), he will receive an annual benefit in the amount of \$101,000 payable in monthly installments for a period of 15 years. A reduced benefit is payable if Mr. Burke retires before normal retirement age or terminates service with us for other reasons. Additional information regarding Mr. Burke’s Salary Continuation Agreement is provided under “Potential Payments upon Termination or Change in Control – Other Payments” below.

Supplemental Executive Retirement Plan – Donna J. Stevens

On July 19, 2019, we entered into a SERP agreement with Ms. Stevens, which was subsequently amended on March 1, 2022. The SERP agreement is a non-qualified deferred compensation arrangement that provides Ms. Stevens with additional compensation at retirement. Pursuant to the SERP agreement, upon Ms. Stevens’ termination of service at or after attaining normal retirement age (age 65), she will receive an annual benefit in the amount of \$125,000 payable in monthly installments for a period of 10 years. A reduced benefit is available if Ms. Stevens experiences a separation from service prior to her normal retirement date for any reason other than (1) termination for cause, (2) death or disability, or (3) on or within 12 months following the effective date of a change in control. Additional information regarding Mr. Stevens’ SERP agreement is provided under “Potential Payments upon Termination or Change in Control – Other Payments” below.

Nonqualified Deferred Compensation

The following table provides information regarding executive and company contributions, 2025 earnings and year-end account balances for the named executive officers under our deferred compensation plan.

Name	Executive Contributions in 2025 (\$)	Company Contributions in 2025 ⁽¹⁾ (\$)	Aggregate Earnings in 2025 ⁽²⁾ (\$)	Aggregate Withdrawals/ Distributions in 2025 (\$)	Aggregate Balance at December 31, 2025 ⁽³⁾ (\$)
James M. Burke	—	—	—	—	—
Charles S. Cullum	—	34,400	987	—	35,387
Todd L. Capitani	—	—	—	—	—
B. Scot Ebron	—	34,400	16,360	—	81,582
Donna J. Stevens	125,732	—	78,212	28,364	741,955
Christy Lombardi	—	—	—	—	—

- (1) Company contributions under the Deferred Compensation Plan are discussed under “Compensation Discussion and Analysis – 2025 Compensation.” These amounts are included in the Bonus column of the Summary Compensation Table.
- (2) The Deferred Compensation Plan credits plan balances with the actual financial performance of investment funds in which the plan balances are hypothetically invested. Earnings on plan balances are not included in the Summary Compensation Table because they are not considered to be above-market or preferential.
- (3) The aggregate balance as of December 31, 2025, for Ms. Stevens includes \$326,136 of executive contributions that were previously earned and reported as compensation in the Summary Compensation Table for the years 2019 through 2024.

2019 Deferred Compensation Plan

Each of our named executive officers is eligible to participate in the Deferred Compensation Plan, which provides deferred compensation benefits for a select group of management and highly compensated employees, including the named executive officers. The Deferred Compensation Plan provides participants with the option to defer receipt of a portion of their base salary and annual cash incentives. Participant contributions are fully vested at all times.

At its sole discretion, the company may credit participant accounts with company contributions. The company determines who will receive discretionary contributions, as well as the amounts and timing of any such contributions. In 2025, the company credited each of the executive officers hired prior to June 30, 2025, who is not a party to a SERP or salary continuation agreement with a deferral bonus equal to 8% of their base salary. Executive officers hired after that date were credited with a pro-rated amount. Discretionary contributions vest at a rate to be determined by the Compensation Committee at the time it approves such contribution or, if not otherwise defined at the time, upon the third anniversary of the contribution. Further information regarding company contributions under the Deferred Compensation Plan is provided under “Compensation Discussion and Analysis – 2025 Compensation.”

Participants’ accounts increase or decrease based on the hypothetical investment of the account balances in one or more investment funds and are credited and debited in accordance with the actual financial performance of such funds. Participants elect the investment funds in which their accounts are hypothetically invested. Distributions of participant accounts will be made following a participant’s separation from service, death, disability, unforeseeable emergency, or as of a future payment date specified by the participant.

Potential Payments upon Termination or Change in Control

Severance Benefits

Each of the named executive officers is a participant in the Shore Bancshares, Inc. Change in Control Severance Plan. The purpose of the Severance Plan is to provide severance benefits to certain of our senior executives and key employees in the event their employment is terminated in certain circumstances related to a change in control. The Severance Plan is intended to secure the continued services of our executive and key employees and to ensure their continued dedication to their duties in the event of any threat or occurrence of a change in control.

Under the Severance Plan, a participant who undergoes an involuntary termination other than for cause (as defined in the plan) or voluntary termination for good reason (as defined in the plan) during the 24 months following the occurrence of a change in control will receive, subject to the participant's execution of a general release of claims:

- a lump sum cash payment equal to the participant's severance multiple, multiplied by the sum of (1) the participant's base salary as in effect on the participant's termination date and (2) the participant's target bonus for the year in which the change in control occurs;
- a lump sum payment equal to the participant's pro rated target bonus for the year in which the change in control occurs: and
- a lump sum cash payment equal to the amount obtained by multiplying (1) the monthly cost for continuation coverage under COBRA for health insurance for the participant as in effect as of the participant's termination date by (2) the number of months specified in the participant's participation agreement.

If the severance benefits under the Severance Plan, along with any other payments occurring in connection with a change in control of the company, were to cause the participant to be subject to the excise tax provisions of Section 4999 of the Internal Revenue Code of 1986, then the amount of the severance benefits will either be reduced, such that the excise tax would not be applicable, or the participant will be entitled to retain his or her full severance benefits, whichever results in the better after-tax position to the participant.

Each of the named executive officers has been designated as a participant in the Severance Plan. Mr. Burke has a severance multiplier of three, Mr. Ebron has a severance multiplier of 2.5, and each of the other executive officers has a severance multiplier of two. Severance benefits payable under the Severance Plan will replace (and be paid in lieu of) any severance benefits that a participant otherwise is eligible to receive under any other agreements entered into between us and the participant, and no participant will be entitled to severance benefits under both the Severance Plan and any other severance arrangement maintained by us.

The participation agreements under the Severance Plan include a non-disclosure obligation and an obligation not to solicit our employees or clients for a period of 12 months after the date of the participant's termination of employment. Mr. Burke's participation agreement also includes a covenant not to compete for a period of 12 months after the date of his termination of employment.

Equity Awards – Consequences of Termination of Employment

The following table shows how equity awards are treated if a named executive officer terminates employment.

Award Type	Event	Consequences
RSUs	Death	Unvested RSUs immediately vest
	Disability	Unvested RSUs immediately vest
	Voluntary or involuntary termination	Unvested RSUs are forfeited
	Change in control	No impact absent termination; unvested RSUs immediately vest upon a qualifying termination
PSUs	Death	Unvested PSUs immediately vest at target
	Disability	Unvested PSUs immediately vest at target
	Voluntary or involuntary termination	Unvested PSUs are forfeited
	Change in control	No impact absent termination; unvested PSUs immediately vest at target upon a qualifying termination

Other Potential Payments

Deferred Compensation Plan – Participants in the plan who receive an employer discretionary contribution will fully vest in all employer discretionary contributions upon the occurrence of any of the following events: death, disability, attainment of age 66, or a change in control. All employer discretionary contributions, whether vested or unvested, will be forfeited upon termination due to cause.

Supplemental Executive Retirement Plans – James M. Burke, Todd L. Capitani, and Christy Lombardi

In the event of a change in control (which occurred as a result of the merger of The Community Financial Corporation with the company) prior to Mr. Burke's, Mr. Capitani's, or Ms. Lombardi's (1) attaining age 65, (2) death, (3) disability, (4) retirement, or (5) separation from service (as defined in the SERPs), the executive's SERP benefit will equal the accrued benefit calculated as of any subsequent separation from service following the change in control with 36 months of additional service for purposes of calculating the accrued benefit. Payments will commence at the earliest of an executive's attainment of age 65 or death. However, if the executive experiences a separation from service within 24 months following a change in control, payments will commence on the first day of the second month following the executive's separation from service (or, if the executive is a specified employee, on the first day of the seventh month following the executive's separation from service). If the executive dies while actively employed by the company, his or her beneficiary will receive the executive's accrued benefit in 15 annual installments beginning in the second month following the month in which the executive dies. If the executive becomes disabled, the executive will receive his or her accrued benefit paid in 15 annual installments beginning on the first day of the month following normal retirement age or death, whichever occurs first. If the executive experiences a separation from service prior to normal retirement age, death or disability, the executive will receive his or her accrued benefit paid in 15 annual installments beginning in the second month following the month in which the executive achieves normal retirement age. If an executive's employment is terminated for cause, the executive will not be entitled to any benefits under the SERPs.

Salary Continuation Agreement – James M. Burke

If Mr. Burke experiences a separation from service prior to attaining normal retirement age and within 12 months following a change in control, his annual benefit will equal a reduced amount set forth in a schedule to the agreement, which will be paid in monthly installments commencing on the first day of the month following his separation from service. If Mr. Burke dies while in active service with the company, his beneficiaries will receive his normal retirement benefit, commencing in the month following the executive's death. If Mr. Burke experiences a disability that results in his separation from service prior to attaining age 62, he will receive a reduced annual benefit. If Mr. Burke experiences a disability that results in his separation from service after attaining age 62, he will receive his normal retirement benefit. In either case, his benefit will be paid in monthly installments for 15 years beginning on the first day of the month after attaining normal retirement age. If Mr. Burke experiences a separation from service before attaining 62 other than due to death, disability, or termination for cause or within 12 months following a change in control, he will receive a reduced annual benefit. If Mr. Burke experiences a separation from service after attaining 62 other than due to death, disability, or termination for cause or within 12 months following a change in control, he will receive his normal retirement annual benefit. In

either case, payment will begin in the month following attaining normal retirement age. If Mr. Burke's employment is terminated for cause, he will not be entitled to any benefits under the Salary Continuation Agreement.

Supplemental Executive Retirement Plan – Donna J. Stevens

In the event of a change in control followed by a termination of Ms. Steven's employment before, on or after attainment of normal retirement age, Ms. Stevens is entitled to a lump sum payment on or within 30 days after her separation from service in an amount equal to the present value of her normal retirement benefit discounted using the current discount rate being utilized to calculate GAAP liabilities and assuming payments commence immediately. If Ms. Stevens dies while employed by the company, but before the occurrence of any event that would entitle her to a benefit under the SERP, no benefits will be paid under the SERP. If Ms. Stevens dies after the occurrence of any event triggering her entitlement to a benefit under the SERP and prior to the payment of the entire accrual balance, Ms. Steven's beneficiary will receive in a single lump sum in an amount equal to the remaining accrual balance at the time of her death. In the event Ms. Stevens becomes permanently disabled while employed by the company, she will receive a lump sum payment equal to the accrual balance as of the date she becomes disabled. If Ms. Stevens terminates her employment prior to attaining normal retirement age other than due to termination for cause, death, disability, or termination within 12 months following a change in control, she will receive a single lump sum payment in an amount equal to the accrual balance as of her separation date.

Potential Payments upon Termination or Change in Control

Potential payments to our named executive officers pursuant to existing plans or arrangements in event of their termination or a change in control as of December 31, 2025, are shown in the table below. These amounts are estimates only. The actual amounts to be paid can only be determined at the time the executive becomes eligible for payment. Valuation of equity awards was based on the closing price of our common stock on December 31, 2025, which was \$17.68 per share. In the event of termination for cause or voluntary termination, the named executive officer would receive only their salary through the date of termination.

Name		Death (\$)	Disability (\$)	Termination without cause (\$)	Change in control and qualifying termination (\$)
James M. Burke	Cash severance ⁽¹⁾⁽²⁾	—	—	—	3,150,000
	Welfare benefits ⁽³⁾	—	—	—	71,365
	Split-dollar life insurance ⁽⁴⁾	500,000	—	—	—
	SERPs ⁽⁵⁾	2,583,443	2,426,243	2,426,243	2,119,178
	RSUs ⁽⁶⁾	584,076	584,076	—	584,076
	PSUs ⁽⁶⁾	556,124	556,124	—	556,124
Charles S. Cullum	Cash severance ⁽¹⁾⁽²⁾	—	—	—	1,161,000
	Welfare benefits ⁽³⁾	—	—	—	47,576
	Deferred Compensation Plan	35,387	35,387	—	35,387
	RSUs ⁽⁶⁾	526,864	526,864	—	526,864
	PSUs ⁽⁶⁾	83,874	83,874	—	83,874
B. Scot Ebron	Cash severance ⁽¹⁾⁽²⁾	—	—	—	1,451,250
	Welfare benefits ⁽³⁾	—	—	—	57,879
	Deferred Compensation Plan	81,582	81,582	—	81,582
	RSUs ⁽⁶⁾	160,110	160,110	—	160,110
	PSUs ⁽⁶⁾	164,406	164,406	—	164,406
Donna J. Stevens	Cash severance ⁽¹⁾⁽²⁾	—	—	—	1,026,000
	Welfare benefits ⁽³⁾	—	—	—	46,303
	Split-dollar life insurance ⁽⁴⁾	843,533	—	—	—
	SERP ⁽⁵⁾	—	748,788	748,788	1,008,847
	RSUs ⁽⁶⁾	126,164	126,164	—	126,164
	PSUs ⁽⁶⁾	150,227	150,227	—	150,227
Christy Lombardi	Cash severance ⁽¹⁾⁽²⁾	—	—	—	999,000
	Welfare benefits	—	—	—	46,303
	Split-dollar life insurance ⁽⁴⁾	500,000	—	—	—
	SERP ⁽⁵⁾	1,307,203	1,307,203	1,307,203	1,307,203
	RSUs ⁽⁶⁾	146,850	146,850	—	146,850
	PSUs ⁽⁶⁾	146,231	146,231	—	146,231

- (1) Amounts are payable under the terms of the Change in Control Severance Plan.
- (2) Amounts do not reflect that under the Change in Control Severance Plan payments in connection with a change in control that would result in a golden parachute excise tax under Sections 280G and 4999 of the Internal Revenue Code may be reduced in certain circumstances so that such tax would not apply.
- (3) Amount represents health insurance benefits to be paid under the Change in Control Severance Plan based upon monthly premiums being paid as of December 31, 2025.
- (4) Amounts are payable to the named executive officer's beneficiaries under split-dollar life insurance agreements that we have entered into with the named executive officers.
- (5) Amount represents the sum of all payments payable to the named executive officer or his or her beneficiary under supplemental executive retirement plans and salary continuation agreements.
- (6) Amount represents the value of unvested units at December 31, 2025, that would vest upon termination of employment due to death or disability or a qualified termination following a change in control.

Pay-Versus-Performance

The following table provides information regarding compensation paid to the company's Chief Executive Officer and other named executive officers relative to the company's financial performance in the format specified by the SEC pursuant to Item 402(v) of Regulation S-K. The company considers ROAA to be the most important company-selected financial measure used by the company to link company performance to compensation.

Year	Summary Compensation Table Total for CEO Beatty ⁽¹⁾		Summary Compensation Table Total for CEO Burke ⁽¹⁾		Average Compensation Table Total for Non-CEO NEOs ⁽²⁾	Average Compensation Actually Paid to Non-CEO NEOs ⁽²⁾	Value of Initial Fixed \$100 ⁽³⁾ Investment Based on:		Net Income (\$000s)	ROAA
	Compensation (\$)	Actually Paid to CEO Beatty (\$)	Compensation (\$)	Actually Paid to CEO Burke ⁽¹⁾ (\$)	Compensation (\$)	Compensation (\$)	Cumulative Total Stockholder Return (\$)	Peer Group Cumulative Total Stockholder Return (\$)		
2025			1,772,098	1,879,581	799,830	837,956	96.50	98.41	59,506	0.98 %
2024			1,171,590	1,941,765	703,736	1,128,364	83.94	95.25	43,889	0.74 %
2023	3,140,861	3,140,570	799,020	823,190	693,090	1,413,810	72.74	86.92	11,228	0.24 %
2022	909,778	864,130			445,382	431,495	85.62	90.55	31,177	0.90 %

- (1) For 2025 and 2024, James M. Burke was the sole principal executive officer of the company. For 2023, Mr. Burke was the principal executive officer from July 1, 2023, through December 31, 2023, and Lloyd L. Beatty was the principal executive officer from January 1, 2023 through June 30, 2023. For 2022, Mr. Beatty was the sole principal executive officer of the company.
- (2) The following table details the adjustments that were made to total compensation shown in the Summary Compensation Table for 2025 to determine compensation actually paid, as presented in the above. There were no dividends paid on unvested stock awards that were not included in the Summary Compensation Table. There were no plan amendments with respect to defined benefit pension plans.

Executive	Summary Compensation Table Total (\$)	Less: aggregate change in pension value (\$)	Plus: change in pension value attributable to service in the reporting year (\$)	Less: value of stock awards at grant date fair value (\$)	Plus: year-end fair value of unvested equity awards granted in reporting year (\$)	Change in fair value of equity awards granted in prior years (\$)	Change in fair value of equity awards granted in reporting year (\$)	Plus: dividends paid on stock awards (\$)	Compensation actually paid (\$)
CEO	1,772,098	(111,642)	66,480	(524,978)	615,900	54,269	(5,077)	12,531	1,879,581
Non-CEO NEOs	799,830	(61,315)	52,323	(220,683)	251,530	10,498	(154)	5,927	837,956

- (3) The named executive officers other than the principal executive officer for each of the years presented in the table were as follows:

Year	Non-CEO Named Executive Officers
2025	Charles S. Cullum, Todd L. Capitani, B. Scot Ebron, Donna J. Stevens, Christy Lombardi
2024	Todd L. Capitani, Donna J. Stevens
2023	Donna J. Stevens, Christy Lombardi, Vance Adkins
2022	Donna J. Stevens, Edward C. Allen

- (4) Cumulative total stockholder return assumes an initial investment of \$100 as of the market close on December 31, 2021, and the reinvestment of all dividends. The peer group used for this purpose is the KBW Regional Banking Index, which is the same peer group disclosed in the company's 2025 Annual Report on Form 10-K.

Financial Performance Measures

The following table lists the most important financial performance measures used by us to link compensation actually paid to our named executive officers for 2025 to company performance.

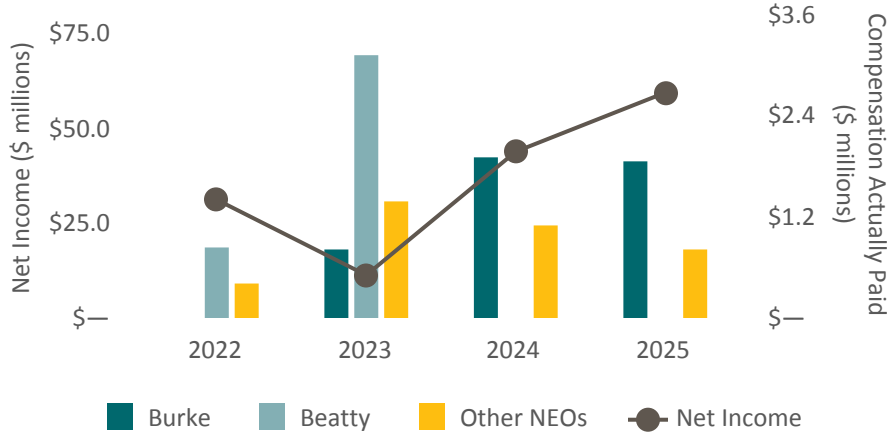
- Pre-tax, pre-provision return on average assets
- Net operating expense/average assets
- Average noninterest-bearing deposits/total average retail deposits
- Net interest margin

For explanations of how these financial performance measures were used to determine 2025 pay for our Chief Executive Officer and other named executive officers, see “Compensation Discussion and Analysis – 2025 Compensation” on page 29.

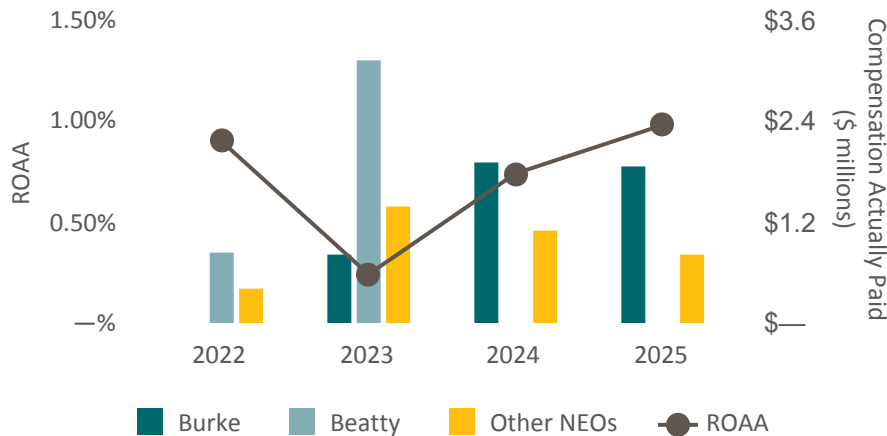
Relationship Between Compensation Actually Paid and Performance

The charts below describe the relationship between compensation actually paid to our Chief Executive Officer and other named executive officers (as calculated above) and our financial and stock performance.

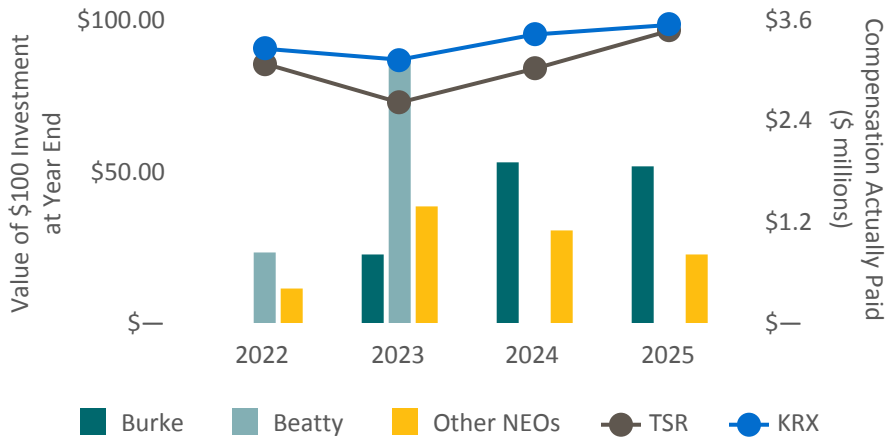
Compensation Actually Paid vs. Net Income



Compensation Actually Paid vs. ROAA



Compensation Actually Paid vs. TSR



CEO Pay Ratio

We are required by SEC rules to disclose the median of the annual total compensation of all employees of the company (excluding the Chief Executive Officer), the annual total compensation of the Chief Executive Officer, and the ratio of these two amounts (the “pay ratio”). The pay ratio below is a reasonable estimate based on our payroll records and the methodology described below and was calculated in a manner consistent with SEC rules. Because SEC rules for identifying the median employee and calculating the pay ratio allow companies to use a variety of methodologies, the pay ratio reported by other companies may not be comparable to the pay ratio reported below, as other companies may have different employment and compensation practices and may use different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

We selected December 31, 2025, as the determination date for identifying the median employee. Year-to-date taxable wages paid from January 1, 2025, to December 31, 2025, for all employees as of the determination date, with the exception of Mr. Burke, were arrayed from lowest to highest. Wages of newly hired permanent employees were adjusted to represent wages for the entire measurement period. This period captured all incentive payments for the tax year as well as the vesting of equity awards, as applicable. The median employee was identified, and total compensation for the median employee was calculated in the manner required for the Summary Compensation Table. Mr. Burke’s total compensation for 2025, as disclosed in the Summary Compensation Table, was \$1,772,098, and the median employee’s was \$69,162, producing a ratio of 25.6 to 1.

Proposal 2: Advisory Vote to Approve the Compensation for the Named Executive Officers

The Dodd-Frank Wall Street Reform and Protection Act requires companies to submit to stockholders a non-binding vote on the compensation of the named executive officers, as described in the Compensation Discussion and Analysis, the tabular disclosure regarding named executive officer compensation, and the accompanying narrative disclosure in this proxy statement. In 2023, the Board recommended and the stockholders elected to have this proposal submitted annually.

This proposal, commonly known as a “say on pay” proposal, gives our stockholders the opportunity to endorse or not endorse the executive compensation program and policies through the following resolution:

“Resolved, that the stockholders approve the compensation of the named executive officers, as disclosed in the Compensation Discussion and Analysis, the compensation tables, and related material in this proxy statement.”

This vote will not be binding on the Board and may not be construed as overruling a decision by the Board nor to create or imply any additional fiduciary duty by the Board. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

The Board believes that our compensation practices are designed to accomplish the objectives described in the Compensation Discussion and Analysis and that they are appropriately aligned with our long-term success and the interests of stockholders.

Voting Standard

This matter will be decided by the vote of a majority of the votes cast at the annual meeting

The Board of Directors recommends a vote “FOR” approval of this proposal.

Proposal 3: Ratification of the Appointment of Our Independent Registered Public Accounting Firm

The Audit Committee of the Board is directly responsible for the appointment, compensation, retention and oversight of the independent registered public accounting firm retained to audit our financial statements. The committee has appointed Crowe LLP to serve as our independent registered public accounting firm for fiscal 2026. The Board is submitting the appointment of Crowe LLP to the vote of the stockholders for ratification. In the event the appointment is not ratified by the stockholders it is anticipated that no change in auditors will be made for the current year because of the difficulty and expense of making a change so long after the beginning of the year, but the vote will be considered in connection with the auditor appointment for the following year.

In reaching its decision to engage Crowe LLP, the committee considered the independence factors, the length of the audit firm's tenure as our independent auditor, the audit firm's past performance, the audit firm's relationship with the committee and with management, and the fee structure that was negotiated. After discussion of these factors, the committee concluded that it was in the best interests of stockholders to continue the engagement of Crowe LLP as our independent registered public accounting firm for 2026.

Representatives of Crowe LLP are expected to be present at the annual meeting, will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

Voting Standard

This matter will be decided by the majority of votes cast at the annual meeting.

The Board of Directors recommends that stockholders vote "FOR" this proposal.

Audit Fees and Services

The following table shows the fees paid or accrued by the company for the audit and other services provided by Crowe for the year ended December 31, 2025, and the period from May 22, 2024 through December 31, 2024.

Type of Fee	2025 (\$)	2024 (\$)
Audit Fees	681,240	423,750
Audit-Related Fees	30,450	80,831
Tax Services	—	—
All Other Fees	—	38,111
Total	711,690	542,692

"Audit Fees" consist of charges for the audit of the consolidated financial statements and quarterly review of the interim financial statements.

"Audit-Related Fees" consist of fees for consents in connection with securities offerings.

"All Other Fees" consist of fees for permissible services not related to financial reporting.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee's policy is to pre-approve all audit and permitted non-audit services, except that *de minimis* non-audit services, as defined in Section 10A(i)(1) of the Securities Exchange Act of 1934, may be approved prior to the completion of the independent auditor's audit. All of the services described above were pre-approved by the Audit Committee.

Change in Independent Registered Public Accounting Firm

On May 22, 2024, the Audit Committee approved the appointment of Crowe as the company's independent registered public accounting firm for the fiscal year ending December 31, 2024, and dismissed Yount, Hyde & Barbour, P.C. ("YHB"), as the company's independent registered public accounting firm.

During the years ended December 31, 2023 and 2022 and the interim period from December 31, 2023 through May 21, 2024, neither the company nor anyone acting on the company's behalf consulted Crowe regarding (1) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the company's financial statements, or (2) any matter that was either the subject of a disagreement as defined in Item 304(a)(1)(iv) of the SEC's Regulation S-K or a "reportable event" described in Item 304(a)(1)(v) of the SEC's Regulation S-K.

The reports of YHB on the company's consolidated financial statements as of and for the years ended December 31, 2023 and 2022 did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles, except that YHB's report on the company's internal control over financial reporting as of December 31, 2023 contained an adverse opinion on the effectiveness of the company's internal control over financial reporting due to material weaknesses. During the years ended December 31, 2023 and 2022 and the interim period from December 31, 2023 through May 21, 2024, there were no disagreements with YHB on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of YHB, would have caused YHB to make reference thereto in its reports on the company's consolidated financial statements. During the years ended December 31, 2023 and 2022 and the interim period from December 31, 2023 through May 21, 2024, there were no "reportable events" as described in Item 304 (a)(1)(v) of Regulation S-K promulgated by the SEC, other than the material weaknesses in internal control over financial reporting that were previously reported in the company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 15, 2024, and a material weakness reported in the company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, filed with the SEC on May 9, 2024.

The Audit Committee engaged in discussions regarding these material weaknesses and remediation thereof with YHB, who has been authorized by the company to respond fully to inquiries of the company's successor accountant concerning the material weaknesses.

Audit Committee Report

The Audit Committee of the Board of Directors is currently composed of six independent directors and operates under a written charter adopted by the Board. The Audit Committee is appointed by the Board to assist the Board in monitoring: (1) the integrity of the company's accounting and financial statements and reporting process; (2) the qualifications, independence, and performance of the company's independent registered public accounting firm; and (3) the qualifications and performance of the company's internal audit department.

The committee is directly responsible for the appointment and oversight of the independent registered public accounting firm, including review of their general qualifications, specific experience in the financial sector, and compensation structure. The committee has engaged Crowe LLP since 2024. The company's management is responsible for its internal controls and financial reporting process. Crowe LLP is responsible for performing an independent audit of the company's consolidated financial statements and issuing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States and expressing an opinion on the effectiveness of the company's internal control over financial reporting.

In 2025, the committee met eight times to carry out its duties and responsibilities as set forth in the Audit Committee charter that is available on the company's investor relations website.

In fulfilling its oversight duties, the committee:

- reviewed and discussed with management and Crowe LLP the scope and effectiveness of the company's disclosure controls and procedures;
- reviewed and discussed the company's audited and unaudited financial statements with management and Crowe LLP each quarter, prior to filing with the SEC and releasing to the public, for purposes of evaluating their accuracy and fair presentation of the company's financial condition;
- discussed with Crowe LLP the critical audit matters and the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board and the SEC, including, but not limited to, the audit strategy, scope and plan for the audit work, and the significant risks and areas of audit focus;
- met with Crowe LLP, with and without members of management present, to discuss the results of their evaluation of the integrity of the company's financial reporting;
- received and reviewed the written disclosures and the letter from Crowe LLP required by applicable standards of the Public Company Accounting Oversight Board;
- reviewed and discussed with Crowe LLP the matter of auditor independence;
- met regularly with the company's chief internal auditor, with and without members of management present, to review and approve the annual risk-based audit plan, to review all audit reports, to track the timely resolution of any findings, and to assess the performance of the chief internal auditor; and
- reviewed and monitored compliance with the "whistleblower" provisions of the Sarbanes-Oxley Act.

Based upon the reviews and discussions described above, the committee recommended to the company's Board of Directors that the audited financial statements be included in the company's Annual Report on Form 10-K for the year ended December 31, 2025.

March 2, 2026

Rebecca M. McDonald, *Chair*

Louis P. Jenkins, Jr.

John A. Lamon, III

David W. Moore

Esther A. Street

Konrad M. Wayson

Information About the Meeting

Attending the Meeting

HOW CAN I PARTICIPATE IN THE ANNUAL MEETING?

Our 2026 annual meeting of stockholders will be held on May 20, 2026, at 9:00 a.m., Eastern Time by means of a live webcast. There will be no physical location for the annual meeting. If your shares are registered directly in your name with our transfer agent, you are considered, with respect to those shares, the stockholder of record. As the stockholder of record, you have the right to grant your voting proxy directly to the company or to a third party, or to vote your shares during the annual meeting. If your shares are held in a brokerage account, by a trustee or by another nominee (that is, in “street name”), you are considered the “beneficial owner” of those shares. As the beneficial owner of those shares, you have the right to direct your broker, trustee, or nominee how to vote, or to vote your shares during the annual meeting.

Any stockholder of record or beneficial owner with a 16-digit control number (included on your Notice of Internet Availability of the proxy materials, proxy card or voting instruction form) can listen to, participate in, and vote at the annual meeting live via the Internet at www.virtualshareholdermeeting.com/SHBI2026. Beneficial owners who have not received or lost their 16-digit control number should contact their bank, broker or other nominee (preferably at least five business days before the annual meeting) and obtain a “legal proxy” in order to be able to participate in, or vote at the Annual Meeting. If you do not have a control number, you may still attend the meeting as a guest, but you will not be able to vote your shares during the meeting.

The annual meeting webcast will begin promptly at 9:00 a.m. Eastern Time. We encourage you to access the annual meeting portal prior to the start time. Online check-in will begin approximately 15 minutes prior to the start of the annual meeting.

Even if you plan on attending the annual meeting, we encourage you to vote your shares in advance using one of the methods described in this proxy statement to ensure that your vote will be represented at the annual meeting.

HOW CAN I ASK QUESTIONS?

You may submit questions during the meeting. To submit a question, access the virtual meeting site at www.virtualshareholdermeeting.com/SHBI2026. Click on the Q&A icon and submit your question. Questions pertinent to meeting matters will be answered during the meeting, subject to time limitations.

WILL I BE ABLE TO VOTE MY SHARES DURING THE MEETING?

You will need the 16-digit control number included on your Notice of Internet Availability, proxy card, or voting instruction form (if you received a printed copy of the proxy materials) or included in the email to you (if you received your proxy materials by email) in order to vote your shares and submit questions. If you do not have your control number, you will not be able to vote your shares or submit questions during the annual meeting. If you hold your shares in the name of a bank, broker or other nominee and have any questions about your control number or how to obtain one, please contact your bank, broker or nominee.

Voting Matters

Shares Entitled to Vote. Only holders of Shore Bancshares common stock, par value \$0.01 per share, as of the close of business on the record date of March 23, 2026, are entitled to receive notice of, attend, and vote on all matters that properly come before the annual meeting. On the record date, 33,450,542 shares of common stock were outstanding and eligible to vote. Each share of common stock entitles the holder to one vote on the items of business to be considered at the annual meeting.

Quorum Requirements. The presence, in person or by proxy, of holders of a majority of the outstanding shares of our common stock is required to constitute a quorum for the transaction of business at the annual meeting. Stockholders who deliver valid proxies or attend the meeting in person will be considered part of the quorum. Once a share is represented for any purpose at the meeting, it is deemed present for quorum purposes for the remainder of the meeting. We intend to include as present at the meeting shares present but not voting, shares for which we have received proxies but for which holders have abstained from voting, and broker “non-votes” (explained below).

Voting Procedures. You may vote your shares in one of several ways, depending upon how you own your shares.

If you are a *stockholder of record*, meaning that you hold Shore Bancshares stock directly (not through a bank, broker or other nominee), you may vote in person at the annual meeting or by submitting your proxy in any one of following ways:

- **Voting on the internet.** Go to www.proxyvote.com and follow the instructions. You will need to have your control number (from your proxy card) with you when you go to the website.
- **Voting by telephone.** Call the phone number on your proxy card and follow the instructions. You will need to have your control number with you when you call.
- **Voting by mail.** Complete, sign, date and return your proxy card in the envelope provided in advance of the meeting.

If you are a *beneficial holder*, meaning that you hold your shares through a bank, broker or other nominee, you must follow the voting instructions you receive from the holder of record to vote your shares.

If you hold your shares through a bank, broker, or other nominee, it is critical that you cast your vote if you want it to count for Proposals 1 and 2. Your broker is not allowed to vote shares on your behalf on such matters without your specific instruction. If you do not instruct your broker how to vote on these matters, no votes will be cast on your behalf. Your broker will have discretion to vote any uninstructed shares on matters considered routine items, such as ratification of the appointment of the independent registered public accounting firm (Proposal 3).

All shares represented by valid proxies that are not revoked will be voted at the annual meeting in accordance with your voting instructions. If you properly submit a proxy without specifying how you want your shares to be voted, your shares will be voted in accordance with the recommendations of the Board. If your shares are held with our transfer agent, Broadridge, and you do not return your proxy, no votes will be cast on your behalf.

Votes Required

- **Proposal 1: Election of directors.** A plurality of all the votes cast at a meeting at which a quorum is present is sufficient to elect a director. Pursuant to our Articles of Incorporation, stockholders are not permitted to cumulate their votes for the election of directors.
- **Proposal 2: Advisory vote on executive compensation.** The advisory vote on the compensation of the named executive officers disclosed in the proxy statement will be approved if the votes cast “for” the proposal exceed the votes cast “against” the proposal.
- **Proposal 3: Ratification of appointment of independent registered public accounting firm.** Ratification of the selection of Crowe LLP as our independent registered public accounting firm for 2026 will be approved if the votes cast “for” the proposal exceed the votes cast “against” the proposal.

Abstentions and Broker Non-Votes. Abstentions, “broker non-votes” (explained below) and failure to cast a vote are not considered “votes cast” and will therefore have no effect on the voting outcome of the election of directors, the advisory vote on executive compensation, or the ratification of the appointment of Crowe LLP as our independent registered public accounting firm.

A “broker non-vote” occurs on an item of business when a registered stockholder does not vote its client’s shares on the item but votes on another matter presented at the meeting. This typically occurs when the registered stockholder (usually a broker or bank) has either voting instructions from its client or discretionary voting authority under NYSE rules to vote on one item of business and not on other items. Brokers and other share custodians do not have discretion to vote on non-routine matters unless the beneficial owner of the shares has given explicit voting instructions. Consequently, if you do not give your broker or share custodian explicit voting instructions, your shares will not be voted on the election of directors or the advisory vote on executive compensation and your shares will instead be considered “broker non-votes” on each such items. The ratification of the appointment of Crowe LLP as our independent registered public accounting firm for 2026 is considered a routine matter and, as such, your broker or share custodian of record is entitled to vote your shares on such proposal in its discretion if you do not provide voting instructions on that item.

Revocation of Proxies. Stockholders who execute proxies retain the right to revoke them at any time before their shares are voted by proxy at the meeting. A stockholder may revoke a proxy by delivering a signed statement to our Corporate Secretary prior to the annual meeting or by delivering an executed proxy bearing a later date (including a proxy given by internet or telephone). You may also revoke a previously issued proxy by voting at the annual meeting.

Delivery of Proxy Materials

To reduce the amount of paper used in producing these proxy materials, as well as lower printing and mailing expenses, the company is furnishing its proxy statement and annual report via the Internet according to the SEC rules for “Notice and Access.” The company mailed a Notice of Internet Availability of Proxy Materials to all stockholders who had not previously elected to receive their proxy materials electronically containing instructions on how to access this proxy statement and our annual report and how to vote online. Upon receipt of the Notice of Internet Availability, stockholders may choose to request a printed copy of proxy materials at no charge, and this preference will be maintained for future mailings.

To reduce the expenses of delivering duplicate proxy materials to stockholders, we rely on SEC rules that permit us to deliver a single proxy statement and annual report with separate proxy cards to multiple stockholders who share an address, unless we receive contrary instructions. If (1) you and another registered holder share an address and each receive paper copies of our proxy materials and wish to receive only one paper copy or (2) you share an address with another registered holder, received a single set of our proxy materials, and would like to receive separate copies, you may request a change in delivery preferences by contacting Broadridge Financial Solutions, Inc. at (866) 540-7095 or in writing at Broadridge, Householding Department, 51 Mercedes Way, Edgewood, NY 11717.

If a bank, broker, or other nominee holds your shares and you receive multiple copies of our proxy materials and you would like to receive only one copy, or if you and another stockholder receive only one copy and would like to receive multiple copies, please contact your bank, broker or nominee.

Costs of Proxy Solicitation

We will pay the cost of soliciting proxies. In addition to soliciting proxies by mail or electronic delivery, we also may solicit proxies through our directors, officers, and employees. None of our directors, officers or employees will receive any additional or special compensation for soliciting proxies. We also will reimburse banks, brokers and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners of our stock.

Proposals for the 2027 Annual Meeting

Under SEC Rule 14a-8, a stockholder desiring to make a proposal to be included in the proxy statement for the 2027 annual meeting of stockholders must submit such proposal and supporting statements to the following address: Corporate Secretary, Shore Bancshares, Inc., 18 E. Dover Street, Easton, Maryland 21601. Proposals must be received no later than the close of business on December 9, 2026, and must comply with SEC Rule 14a-8 in order for the proposal to be considered for inclusion in our proxy statement. Simply submitting a proposal does not guarantee that it will be included.

Advance Notice Procedures

In addition, under our bylaws, if a stockholder intends to present a proposal for business to be considered at the 2027 annual meeting of stockholders but does not seek inclusion of the proposal in the company’s proxy statement for that meeting, then such proposal, including all supporting information, must be delivered to and received by the company’s Secretary at its principal executive offices at 18 E. Dover Street, Easton, Maryland 21601 no earlier than February 19, 2027, and no later than March 21, 2027, which is not more than 90 days nor less than 60 days before May 20, 2027, which is the one-year anniversary of the 2026 annual meeting of stockholders. However, if the date of the 2027 annual meeting stockholders is advanced by more than 30 days or delayed by more than 60 days from May 20, 2027, notice by the stockholder must be so delivered not earlier than the 90th day prior to the 2027 annual meeting of stockholders and not later than the close of business on the later of the 60th day prior to the 2027 annual meeting of stockholders or the 10th day following the day on which public announcement of the date of the 2027 annual meeting of stockholders is first made by the company.

In addition, our bylaws generally provide that for a stockholder to make nominations for the election of directors, a stockholder must deliver written notice of such nominations to the company’s Secretary at its principal executive offices at 18 E. Dover Street, Easton, Maryland 21601 not less than 120 days nor more than 180 days prior to May 20, 2027, the date of the meeting of stockholders called for the election of directors which is deemed to be on the same date as the annual meeting of stockholders for the preceding year. However, if the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from May 20, 2027, the one-year anniversary date of the 2026 annual meeting of stockholders, such notice must be so delivered not earlier than the 180th day prior to the 2027 annual meeting of stockholders and not later than the close of business on the later of

the 120th day prior to the 2027 annual meeting of stockholders or the 10th day following the day on which public announcement of the date of the 2027 annual meeting of stockholders is first made by the company. The nomination notice must include certain information specified in the bylaws.

In addition to the notice and information requirements contained in the Bylaws, to comply with the SEC universal proxy rules, stockholders who, in connection with the 2027 annual meeting of stockholders, intend to solicit proxies in support of director nominees other than the company's nominees must provide notice to the company that sets forth the information required by the SEC's Rule 14a-19 no later than March 21, 2027, unless the date of the 2027 annual meeting of stockholders has changed by more than 30 calendar days from the previous year, in which case such notice must be provided by the later of 60 calendar days prior to the date of the 2027 annual meeting of stockholders or the 10th calendar day following the day on which public announcement of the date of the 2027 annual meeting of stockholders is first made by the company.

These advance notice procedures are separate from the SEC's requirements that a stockholder must meet in order to have a stockholder proposal included in the company's proxy statement pursuant to SEC Rule 14a-8.

Annual Report to Stockholders

Our 2025 Annual Report on Form 10-K has been made available to stockholders and is posted on our corporate website at: www.shorebancshares.com.

Additional copies of the 2025 Annual Report on Form 10-K may be obtained without charge upon written request to Corporate Secretary, Shore Bancshares, Inc., 18 East Dover Street, Easton, Maryland 21601.

Communication With Our Board

Communications to the Board may be sent by email to stockholderrelations@shbi.com or by mail to Shore Bancshares, Inc., Attention: Chief Legal Officer, 18 East Dover Street, Easton, Maryland 21601 and marked to the attention of the Board or any of its committees, the independent directors as a group, or any individual director.

Other Business

If any other matters requiring the vote of the stockholders properly come before the annual meeting, it is the intention of the persons named in the enclosed form of proxy to vote the proxies in accordance with their best judgment. The persons designated as proxies will also have the right to approve any and all adjournments of the annual meeting for any reason. At the time this proxy statement went to print, the company knew of no other matters that that might be presented for stockholder action at the annual meeting.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Year Ended December 31, 2025

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 000-22345



SHORE BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

52-1974638

(I.R.S. Employer Identification No.)

18 E. Dover Street, Easton, Maryland

(Address of Principal Executive Offices)

21601

(Zip Code)

Registrant's Telephone Number, Including Area Code: (410) 763-7800

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:

Trading Symbol(s)

Name of Each Exchange on Which Registered:

Common stock, \$0.01 par value per share

SHBI

The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter based on the closing price of \$15.72 per share: \$480.1 million.

The number of shares outstanding of the registrant's common stock as of the latest practicable date: 33,418,125 as of February 26, 2026.

Documents Incorporated by Reference

Certain information required by Part III of this annual report is incorporated therein by reference to the definitive proxy statement for the 2026 Annual Meeting of Stockholders.

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Cautionary Note Regarding Forward-looking Statements

This Annual Report on Form 10-K contains statements relating to future events or our future results that are considered “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. We also may make forward-looking statements in other documents filed with or furnished to the Securities and Exchange Commission, and our senior management may make forward-looking statements orally to investors, analysts, representatives of the media, and others. Forward-looking statements may be identified by the use of words such as “believe,” “expect,” “anticipate,” “plan,” “estimate,” “intend,” “potential,” “target,” “plan,” “goal,” or words of similar meaning, or future or conditional verbs such as “could,” “would,” or “may.” Forward-looking statements include statements of our goals, intentions, or expectations; statements regarding our business plans, prospects, growth, or operating strategies; statements regarding the quality of our loan and investment portfolios; and estimates of our risks and future costs and benefits.

Forward-looking statements are not a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. We caution that the forward-looking statements are based largely on our expectations and information available at the time the statements are made and are subject to known and unknown risks and uncertainties that are subject to change based on factors, which in many instances are beyond our control. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements. You should bear this in mind when reading this report and not place undue reliance on these forward-looking statements.

The factors that could cause actual results to differ materially from those expressed in such forward-looking statements include, but are not limited to, the risks identified in Item 1A of this report and the following:

- Local, regional and global business, economic and political conditions and geopolitical events;
- Changes in laws, rules and regulatory requirements, including capital and liquidity requirements;
- Changes in consumer and business confidence, investor sentiment, and consumer spending and savings behavior;
- Changes in the level of inflation;
- Changes in monetary and fiscal policies;
- Changes in trade policies, including the imposition of tariffs and retaliatory responses;
- Changes in the demand for loans, deposits, and other financial services that we provide;
- The possibility that future credit losses may be higher than currently expected;
- Changes in FDIC assessments;
- Changes in the interest rate environment;
- Changes in income tax laws and regulations;
- Our ability to manage effectively our capital and liquidity;
- The ability to realize benefits and cost savings from, and limit any unexpected liabilities associated with, any business combinations;
- Changes in credit ratings assigned to us;
- Competitive pressures among financial services companies;
- Technology changes instituted by us, our counterparties, or competitors;
- The ability to attract, develop, and retain qualified employees;
- Change in federal government enforcement of federal laws affecting the cannabis industry;
- Our ability to maintain the security of our financial, accounting, technology, data processing and other operational systems and facilities;
- Our ability to effectively defend ourselves against cyber-attacks and other attempts by unauthorized parties to access our information or information of our customers or to disrupt our systems;
- Our ability to withstand disruptions that may be caused by any failure of our operational systems or those of third parties;
- Our ability to control expenses;
- The impact of changes in accounting policies, including the introduction of new accounting standards;
- The impact of judicial or regulatory proceedings; and
- The impact of natural or man-made disasters or calamities, including health emergencies, the spread of infectious diseases, epidemics or pandemics, an outbreak or escalation of hostilities or other geopolitical instabilities, the effects of climate change or extraordinary events beyond our control.

Forward-looking statements speak only as of the date on which they are made, and, except to the extent required by federal securities laws, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

PART I

Item 1. BUSINESS

OVERVIEW

General

Shore Bancshares, Inc. was incorporated under the laws of Maryland on March 15, 1996 and is the bank holding company for Shore United Bank, N.A.. Throughout this report, references to the “Company,” “we,” “our,” and “us,” and similar terms refer to the consolidated entity consisting of Shore Bancshares, Inc. and its subsidiaries. “Shore Bancshares” refers solely to the parent holding company, and the “Bank” refers solely to Shore Bancshares’ subsidiary bank, Shore United Bank, N.A.

Shore Bancshares is registered as a financial holding company under the Bank Holding Company Act of 1956, as amended (the “BHC Act”). The Company is the largest independent financial holding company headquartered on the Eastern Shore of Maryland. The Company conducts business primarily through the Bank. The Bank provides consumer and commercial banking products and services and secondary mortgage lending, trust, wealth management and financial planning services. The Company offered title services through its wholly-owned subsidiary, Mid-Maryland Title Company, Inc. (the “Title Company”), which engaged in residential and commercial real estate settlement activities and offered title insurance policies, title search and lien satisfaction services. The Title Company ceased conducting real estate closings effective March 31, 2025. The Company and the Bank are Affirmative Action/Equal Opportunity Employers.

Banking Products and Services

The Bank, which traces its origin to 1876, is a national banking association chartered under the laws of the United States. The Bank currently operates 40 full-service branches and 10 loan production and administration offices, and provides a full range of commercial and consumer banking products and services to individuals, businesses, and other organizations in Maryland, Delaware and Virginia. The Bank’s deposits are insured up to applicable legal limits by the FDIC.

Services provided to businesses include commercial checking, savings, certificates of deposit and overnight investment sweep accounts. The Bank offers all forms of commercial lending, including secured and unsecured loans, working capital loans, lines of credit, term loans, accounts receivable financing, real estate acquisition and development loans, construction loans and letters of credit. Treasury management services are also available, such as merchant card processing services, remote deposit capture, ACH origination, digital banking and telephone banking services.

Services provided to individuals include checking accounts, various savings programs, mortgage loans, home improvement loans, installment and other personal loans, credit cards, personal lines of credit, automobile and other consumer financing, trust administration, wealth management, safe deposit boxes, debit cards, 24-hour telephone banking, internet banking, mobile banking and 24-hour ATM services. Additionally, the Bank has Saturday hours and extended hours on certain evenings during the week for added customer convenience.

Business Strategy

The Company’s business strategy is to establish a leading community banking franchise that delivers exceptional financial services to the communities we serve. This strategy has been implemented over the past several years through a combination of organic and strategic growth, both within and contiguous to our existing footprint.

On July 1, 2023, the Company completed the acquisition of The Community Financial Corporation (“TCFC”) and its wholly-owned subsidiary Community Bank of the Chesapeake (“CBTC”). The transaction expanded the Bank’s footprint into the Southern Maryland Counties of Charles, St. Mary’s and Calvert and the greater Fredericksburg area in Virginia, which includes Fredericksburg City as well as Stafford and Spotsylvania Counties. At the time of the acquisition, TCFC had \$2.4 billion in assets, \$454.5 million in investments, \$1.8 billion in loans, \$2.1 billion in deposits, \$150.6 million in brokered deposits, \$69.0 million in Federal Home Loan Bank (the “FHLB”) advances and \$32.0 million in subordinated debt and trust preferred debentures. The excess of the fair value of net TCFC assets acquired over the merger consideration resulted in an \$8.8 million bargain purchase gain.

Lending Activities

The Bank originates loans including commercial real estate, residential real estate, construction, commercial and consumer.

- **Commercial Real Estate (“CRE”) and Other Non-Residential Real Estate Loans.** The Bank’s CRE loans are primarily secured by commercial buildings, multi-family buildings, agricultural purpose consumer properties, service industry buildings such as restaurants and hotels, retail buildings and general purpose business space. The Bank attempts to mitigate the risks associated with these loans through financial analyses, conservative underwriting procedures, including loan-to-value ratio standards, obtaining additional collateral and management’s knowledge of the local economy in which the Bank lends.

- **Residential Real Estate Loans.** The Bank originates residential mortgage loans that are to be held in our loan portfolio as well as loans that are intended for sale in the secondary market. Loans sold in the secondary market are primarily sold to investors with which the Bank maintains a correspondent relationship. These loans are made in conformity with standard government-sponsored enterprise underwriting criteria required by the investors to assure maximum eligibility for resale in the secondary market and are approved either by the Bank’s underwriter or the correspondent’s underwriter. Additionally, loans that are sold into the secondary market are typically residential long-term loans (15 or more years), generally with fixed rates of interest. Loans retained for the Bank’s portfolio typically include loans that periodically reprice or mature prior to the end of an amortized term. Generally, loans are sold with mortgage servicing rights retained, which includes loans sold to the Federal National Mortgage Association (“Fannie Mae”) or the Federal Home Loan Mortgage Corporation (“Freddie Mac”). As of December 31, 2025, the Bank was servicing \$343.8 million in loans for Fannie Mae and \$105.6 million in loans for Freddie Mac.
- **Construction Loans.** The Bank provides commercial and residential real estate construction loans to builders and individuals. Residential construction loans are usually granted based upon “as completed” appraisals and are secured by the property under construction. Additional collateral may be taken if loan-to-value ratios exceed 80%. Site inspections are performed to determine pre-specified stages of completion before loan proceeds are disbursed. These loans typically have maturities of six to twelve months and may have fixed or variable rate features. Permanent financing options for individuals include fixed and variable rate loans with three- and five-year balloon features and one-, three- and five-year adjustable rate mortgage loans. The Bank attempts to mitigate risks associated with these loans through conservative underwriting procedures such as loan-to-value ratios of 80% or less at origination, obtaining additional collateral when prudent, and closely monitoring construction projects to control disbursement of funds on loans.
- **Commercial Loans.** The Bank originates secured and unsecured loans for business purposes. Commercial loans are typically secured by real estate, accounts receivable, inventory, equipment and/or other assets of the business. Repayment is often dependent upon the successful operation of the business and may be affected by adverse conditions in the local economy or real estate market. The financial condition and cash flow of commercial borrowers is therefore carefully analyzed during the loan approval process, and continues to be monitored by obtaining business financial statements, personal financial statements and income tax returns. The frequency of this ongoing analysis depends upon the size and complexity of the credit and collateral that secures the loan. It is also the Bank’s general policy to obtain personal guarantees from the principals of the commercial loan borrowers.
- **Consumer Loans.** A variety of consumer loans are offered to customers, including home equity loans, marine loans and other secured and unsecured lines of credit and term loans. Certain consumer loans are originated by a third-party on behalf of the Company. Careful analysis of an applicant’s creditworthiness is performed before granting credit, and ongoing monitoring of loans outstanding is performed in an effort to minimize risk of loss by identifying problem loans early. The Company discontinued the issuance of new marine loans in June 2023 and only services the existing portfolio as of December 31, 2025.
- **Credit Card Loans.** The Bank offered unsecured credit card loans to commercial and consumer customers. Credit risk factors include the borrower’s continuing financial stability, which can be adversely impacted by job loss, divorce, illness or personal bankruptcy, among other factors. The Company discontinued the issuance of new credit cards in April 2024 (except to select existing credit card customers) and only services the existing portfolio as of December 31, 2025.

Deposit Activities

The Bank offers a wide array of deposit products including checking, savings and money market accounts, and regular and IRA certificates of deposit. The Bank also offers its certificate of deposit account registry service (“CDARS”) program and the insured cash sweep (“ICS”) program allowing customers the ability to insure deposits over \$250,000 among other banks that participate in the CDARS and ICS networks while providing competitive rates and easy access to funds. In addition, we offer our commercial customers packages that include cash management services, various checking opportunities and other cash sweep products.

Title Services

The Company offered title services through its wholly-owned subsidiary, the Title Company, which engaged in residential and commercial real estate settlement activities and offered title insurance policies, title search and lien satisfaction services. The Title Company ceased conducting real estate closings effective March 31, 2025.

Financial Services

The Company, through Wye Financial Partners, a division of the Bank, offers full-service investment, insurance and financial planning services through a third-party broker/dealer, LPL Financial, to residents of the states of AL, AZ, CA, CO, CT, DE, DC, FL, GA, IN, KY, ME, MD, MA, MI, NJ, NY, NC, OH, PA, RI, SC, SD, TX, VA, WA and WV.

Trust Services

The Company, through Wye Trust, a division of the Bank, offers wealth management, corporate trustee services and trust administration to customers within our market areas and nationwide.

Cannabis Related Business

The Bank provides banking services to customers that are licensed by various states to do business in the cannabis industry as growers, processors and dispensaries. The Bank maintains stringent written policies and procedures related to the on-boarding of such businesses and to the monitoring and maintenance of such business accounts.

In accordance with federal regulatory guidance and industry best practices, the Bank performs a multilayered due diligence review of a cannabis business before the business is on-boarded, including site visits and confirmation that the business is properly licensed by the state in which it is conducting business. Throughout the relationship, the Bank continues to monitor the business, including site visits, to ensure that the cannabis business continues to meet stringent requirements, including maintenance of required licenses. The Bank performs periodic financial reviews of the business and monitors the business in accordance with the Bank Secrecy Act of 1970 (“BSA”) and state requirements.

Seasonality

The Company recognizes that certain customers have seasonality within their operations, which indirectly impacts the Bank’s liquidity. The Bank has significant banking relationships with state, county and local municipalities within Maryland, Virginia and Delaware that receive their funding from federal and state agencies, as well as, tax generating revenue, which is seasonal in nature.

Employees and Human Capital Resources

Our Mission and Culture

The Bank is built around the character of our people and our communities. We are dedicated to our clients, our employees, our communities and our shareholders. The Bank’s corporate culture is defined by core values which include integrity, accountability, teamwork, and resilience. We value our employees by investing in competitive compensation and benefit packages and fostering a team environment centered on professional service and open communication. Attracting, retaining and developing qualified, engaged employees who embody these values are crucial to our success. We believe that relations with our employees are good.

Employee Demographics

As of December 31, 2025, the Bank employed 608 individuals, of whom 595 were employed on a full-time basis (602 full-time equivalent employees). The Bank’s employees were not represented by a collective bargaining agreement.

The Company has no employees and reimburses the Bank for estimated expenses, including an allocation of salaries and employee benefits.

Belonging and Inclusion

We are committed to building an inclusive work environment that is supported by our culture and values. We believe diversity of thought and experiences inspires our team to achieve more creative and innovative solutions for our customers. With a commitment to support an inclusive workplace, we focus on understanding, accepting, and valuing the differences between people.

Compensation and Benefits

The Bank’s compensation and benefits package is designed to attract and retain a talented workforce. In addition to salaries, employee benefits include a 401(k) plan with an employer matching contribution, an employee stock purchase plan, medical insurance benefits, paid short-term and long-term disability and life insurance, flexible spending accounts, and tuition assistance.

Employee Health, Safety and Wellness

We are committed to supporting the safety, health and wellness of our employees. We provide paid time off (including parental and adoption leave), an employee assistance program and wellness benefits, which include mental health support, coaching and other resources for employees and their immediate family members.

We have adopted a flexible approach to remote work, which designates roles as remote, on-site or hybrid (a combination of on-site and remote work) based on specific job responsibilities and requirements.

Professional Development

The Bank invests in the growth of its employees by providing access to professional development and continuing education courses and seminars that are relevant to the banking industry and their job function within the Company. We offer our employees the opportunity to participate in various professional and leadership development programs. On-demand training opportunities include a variety of industry, technical, professional, business development, leadership and regulatory topics.

COMPETITION

We operate in a highly competitive environment. Our competitors include community banks, commercial banks, credit unions, thrifts, mortgage banking companies, investment advisory firms, brokerage firms, mutual fund companies, private equity firms, fintechs, and e-commerce and other internet-based companies. We compete on a local and regional basis for banking and investment products and services.

The primary factors when competing in the financial services market include personalized services, the quality and range of products and services, interest rates on loans and deposits, lending services, price, customer convenience, and our ability to attract and retain experienced employees.

To compete in our market areas, we utilize multiple media channels including print, online, social media, television, radio, direct mail, e-mail and digital signage. Our employees also play a significant role in maintaining existing relationships with customers while establishing new relationships to grow all areas of our businesses.

SUPERVISION AND REGULATION

The following is a summary of certain statutes and regulations that significantly affect us. Other statutes and regulations may affect us but are not discussed in the following paragraphs.

Bank Holding Company Regulation

As a bank holding company, Shore Bancshares is subject to supervision and regulation by the Board of Governors of the Federal Reserve System (the “FRB”). Shore Bancshares is required to furnish to the FRB annual and quarterly reports of its operations and additional information and reports. Shore Bancshares is also subject to regular examination by the FRB.

A bank holding company can elect, subject to certain qualifications, to become a “financial holding company.” A financial holding company may engage in a full range of financial activities, including insurance and securities underwriting and agency activities, merchant banking, and insurance company portfolio investment activities, with expedited notice procedures. Shore Bancshares has elected to be a financial holding company.

Under the BHC Act, a bank holding company must obtain the prior approval of the FRB before (1) acquiring direct or indirect ownership or control of any class of voting securities of any bank or bank holding company if, after the acquisition, the bank holding company would directly or indirectly own or control more than 5% of the class; (2) acquiring all or substantially all of the assets of another bank or bank holding company; or (3) merging or consolidating with another bank holding company.

Prior to acquiring control of Shore Bancshares or the Bank, any company must obtain approval of the FRB. For purposes of the BHC Act, “control” is defined as ownership of 25% or more of any class of voting securities of Shore Bancshares or the Bank, the ability to control the election of a majority of the directors, or the exercise of a controlling influence over management or policies of Shore Bancshares or the Bank.

The Change in Bank Control Act and the related regulations of the FRB require any person or persons acting in concert (except for companies required to make application under the BHC Act) to file a written notice with the FRB before the person or persons acquire control of Shore Bancshares or the Bank. The Change in Bank Control Act defines “control” as the direct or indirect power to vote 25% or more of any class of voting securities or to direct the management or policies of a bank holding company or an insured bank.

The BHC Act also limits the investments and activities of bank holding companies. In general, a bank holding company is prohibited from acquiring direct or indirect ownership or control of more than 5% of the voting shares of a company that is not a bank or a bank holding company or from engaging directly or indirectly in activities other than those of banking, managing or controlling banks, providing services for its subsidiaries, non-bank activities that are closely related to banking, and other financially related activities.

In general, a bank holding company that qualifies as a financial holding company may engage in an expanded list of non-bank activities. Non-bank and financially related activities of financial holding companies may be subject to regulation and oversight by regulators other than the FRB.

The FRB has the power to order a holding company or its subsidiaries to terminate any activity, or to terminate its ownership or control of any subsidiary, when it has reasonable cause to believe that the continuation of such activity or such ownership or control constitutes a serious risk to the financial safety, soundness, or stability of any bank subsidiary of that holding company.

The FRB has adopted guidelines regarding the capital adequacy of bank holding companies that require bank holding companies to maintain specified minimum ratios of capital to total average assets and capital to risk-weighted assets. See “Regulatory Capital Requirements.”

The FRB has the power to prohibit dividends by bank holding companies if their actions constitute unsafe or unsound practices. The FRB has issued a policy statement on the payment of cash dividends by bank holding companies, which expresses the FRB’s view that a bank holding company should pay cash dividends only to the extent that its net income for the past year is sufficient to cover both the cash dividends and a rate of earnings retention that is consistent with its capital needs, asset quality, and overall financial condition.

A holding company must serve as a source of strength for its subsidiary banks and the FRB may require a holding company to contribute additional capital to an undercapitalized subsidiary bank. In the event of a bank holding company’s bankruptcy, any commitment by the bank holding company to a federal banking regulator to maintain the capital of a subsidiary bank would be assumed by the bankruptcy trustee and may be entitled to priority over other creditors.

Bank Regulation

The Bank is a national banking association subject to supervision by the Office of the Comptroller of the Currency (the “OCC”). Deposits of the Bank are insured by the FDIC to the maximum legal limit. Deposits, reserves, investments, loans, consumer law compliance, issuance of securities, payment of dividends, establishment of branches, mergers and acquisitions, corporate activities, changes in control, electronic funds transfers, responsiveness to community needs, management practices, compensation policies, and other aspects of

operations are subject to regulation by the appropriate federal supervisory authorities. In addition, the Bank is subject to numerous federal, state and local laws and regulations that set forth specific restrictions and procedural requirements with respect to extensions of credit (including to insiders), credit practices, disclosure of credit terms and discrimination in credit transactions.

The OCC regularly examines the operations and condition of the Bank, including, but not limited to, its capital adequacy, liquidity, asset quality, regulatory compliance, and management practices. These examinations are for the protection of the Bank's depositors and the Deposit Insurance Fund. In addition, the Bank is required to furnish quarterly and annual reports to the OCC. The OCC's enforcement authority includes the power to remove officers and directors and the authority to issue cease-and-desist orders to prevent a bank from engaging in unsafe or unsound practices or violating laws or regulations governing its business.

The OCC has adopted regulations regarding capital adequacy that require national banks to maintain specified minimum ratios of capital to total average assets and capital to risk-weighted assets. See "Regulatory Capital Requirements." OCC regulations limit the amount of dividends that the Bank may pay to Shore Bancshares.

The Bank is subject to restrictions imposed by federal law on extensions of credit to, and certain other transactions with, Shore Bancshares and other affiliates, and on investments in their stock or other securities. These restrictions prevent Shore Bancshares and the Bank's other affiliates from borrowing from the Bank unless the loans are secured by specified collateral and require those transactions to have terms comparable to terms of arms-length transactions with third parties. In addition, secured loans and other transactions and investments by the Bank are generally limited in amount as to Shore Bancshares and as to any other affiliate to 10% of the Bank's capital and surplus and as to Shore Bancshares and all other affiliates together to an aggregate of 20% of the Bank's capital and surplus. Certain exemptions to these limitations apply to extensions of credit and other transactions between the Bank and its subsidiaries. These regulations and restrictions may limit Shore Bancshares's ability to obtain funds from the Bank for its cash needs, including funds for acquisitions and for payment of dividends, interest, and operating expenses.

Under OCC regulations, banks must adopt and maintain written policies that establish appropriate limits and standards for extensions of credit secured by liens or interests in real estate or made for the purpose of financing permanent improvements to real estate. These policies must establish loan portfolio diversification standards; prudent underwriting standards, including loan-to-value limits, that are clear and measurable; loan administration procedures; and documentation, approval, and reporting requirements. A bank's real estate lending policy must reflect consideration of the Interagency Guidelines for Real Estate Lending Policies (the "Interagency Guidelines") adopted by the federal bank regulators. The Interagency Guidelines, among other things, call for internal loan-to-value limits for real estate loans that are not in excess of the limits specified in the guidelines. The Interagency Guidelines state, however, that it may be appropriate in individual cases to originate or purchase loans with loan-to-value ratios in excess of the supervisory loan-to-value limits.

The Bank's deposits are insured up to applicable limits by the Deposit Insurance Fund of the FDIC. The FDIC uses a risk-based pricing system to determine assessment rates, which currently range from 2.5 to 42 basis points. No institution may pay a dividend if in default of the federal deposit insurance assessment. Deposit insurance assessments are based on total average assets, excluding Paycheck Protection Program loans, less average tangible common equity. The FDIC has authority to increase insurance assessments. Management cannot predict what insurance assessment rates will be in the future.

Insured depository institutions with assets of \$10 billion or more are subject to limits on interchange fees. Interchange fees, or "swipe" fees, are fees that merchants pay to credit card companies and debit card-issuing banks such as the Bank for processing electronic payment transactions on their behalf. The maximum permissible interchange fee that a non-exempt issuer may receive for an electronic debit transaction is the sum of 21 cents per transaction and 5 basis points multiplied by the value of the transaction, subject to an upward adjustment of 1 cent if an issuer certifies that it has implemented policies and procedures reasonably designed to achieve the fraud-prevention standards set forth by the FRB. As the Bank's assets are less than \$10 billion, it is not subject to a cap on interchange fees.

Consumer Financial Protection Laws and Enforcement

We must comply with various federal and state consumer protection laws and regulations with respect to the consumer financial products and services that we provide. The Consumer Financial Protection Bureau ("CFPB") is responsible for promoting fairness and transparency for mortgages, credit cards, deposit accounts and other consumer financial products and services and for interpreting and enforcing the federal consumer financial laws that govern the provision of such products and services. The CFPB is also authorized to prevent any institution under its authority from engaging in an unfair, deceptive, or abusive act or practice in connection with consumer financial products and services. The CFPB has exclusive examination and primary enforcement authority with respect to compliance with federal consumer financial protection laws and regulations by institutions under its supervision and is authorized, individually or jointly with the federal banking agencies, to conduct investigations to determine whether any person is, or has, engaged in conduct that violates such laws or regulations. As an insured depository institution with total assets less than \$10 billion, the Bank is not subject to the CFPB's supervisory and enforcement authorities.

The Bank is subject to federal and state fair lending laws such as the Equal Credit Opportunity Act and the Fair Housing Act, which prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. In addition, the Bank is subject to other federal and state laws designed to protect consumers and prohibit unfair, deceptive or abusive business practices, including the Home Ownership Protection Act, Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions Act of

2003, the Gramm-Leach Bliley Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the National Flood Insurance Act and various state law counterparts. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must interact with clients when taking deposits, making loans, collecting and servicing loans, and providing other services.

Regulatory Capital Requirements

Shore Bancshares and the Bank are subject to capital and leverage requirements. Specifically, Shore Bancshares and the Bank are subject to the following minimum capital requirements: (1) a leverage ratio of 4%; (2) a Common Equity Tier 1 (“CET1”) risk-based capital ratio of 4.5%; (3) a Tier 1 risk-based capital ratio of 6%; and (4) a total risk-based capital ratio of 8%.

CET1 capital consists solely of common stock plus related surplus and retained earnings, adjusted for goodwill, intangible assets and the related deferred taxes. Additional Tier 1 capital may include other perpetual instruments historically included in Tier 1 capital, such as non-cumulative perpetual preferred stock, if applicable. Tier 2 capital consists of unsecured instruments that are subordinated to deposits and general creditors and have a minimum original maturity of at least five years, among other requirements, plus instruments that the rule has disqualified from Tier 1 capital treatment. Instruments that are included in Tier 2 capital, but have a maturity of less than five years, must be ratably discounted over their remaining life until they reach maturity.

In addition, in order to avoid restrictions on capital distributions or discretionary bonus payments to executives, a covered banking organization must maintain a “capital conservation buffer” of 2.5% on top of its minimum risk-based capital requirements. This buffer must consist solely of CET1 capital and the buffer applies to all three measurements: CET1 capital, Tier 1 capital and total capital.

Prompt Corrective Regulatory Action

Federal law establishes a system of prompt corrective action to resolve the problems of undercapitalized institutions. The law requires that certain supervisory actions be taken against undercapitalized institutions, the severity of which depends on the degree of undercapitalization. The OCC has adopted regulations to implement the prompt corrective action legislation as to national banks. An institution is deemed to be “well capitalized” if it has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a leverage ratio of 5.0% or greater and a common equity Tier 1 ratio of 6.5% or greater. An institution is “adequately capitalized” if it has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a leverage ratio of 4.0% or greater and a common equity Tier 1 ratio of 4.5% or greater. An institution is “undercapitalized” if it has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a leverage ratio of less than 4.0% or a common equity Tier 1 ratio of less than 4.5%. An institution is deemed to be “significantly undercapitalized” if it has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a leverage ratio of less than 3.0% or a common equity Tier 1 ratio of less than 3.0%. An institution is considered to be “critically undercapitalized” if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2.0%.

Subject to a narrow exception, a receiver or conservator is required to be appointed for an institution that is “critically undercapitalized” within specified time frames. The regulations also provide that a capital restoration plan must be filed with the OCC within 45 days of the date an institution is deemed to have received notice that it is “undercapitalized,” “significantly undercapitalized” or “critically undercapitalized.” Compliance with the plan must be guaranteed by any parent holding company up to the lesser of 5% of the institution's total assets when it was deemed to be undercapitalized or the amount necessary to achieve compliance with applicable capital requirements. In addition, numerous mandatory supervisory actions become immediately applicable to an undercapitalized institution including, but not limited to, increased monitoring by regulators and restrictions on growth, capital distributions and expansion. The OCC could also take any one of a number of discretionary supervisory actions, including the issuance of a capital directive and the replacement of senior executive officers and directors. Significantly and critically undercapitalized institutions are subject to additional mandatory and discretionary measures.

As of December 31, 2025, the most recent notification from the Bank’s primary regulator categorized the Bank as a “well-capitalized” institution under the prompt corrective action rules of the Federal Deposit Insurance Act.

Supervision and Regulation of Mortgage Banking Operations

Our mortgage banking business is subject to the rules and regulations of the U.S. Department of Housing and Urban Development (“HUD”), the Federal Housing Administration (“FHA”), the Veterans’ Administration (“VA”) and Fannie Mae with respect to originating, processing, selling and servicing mortgage loans. Those rules and regulations, among other things, prohibit discrimination and establish underwriting guidelines, which include provisions for inspections and appraisals, require credit reports on prospective borrowers, and fix maximum loan amounts. Lenders are required annually to submit audited financial statements to Fannie Mae, FHA and VA. Each of these regulatory entities has its own financial requirements. We are also subject to examination by Fannie Mae, FHA and VA to assure compliance with the applicable regulations, policies and procedures. Mortgage origination activities are subject to, among others, the Equal Credit Opportunity Act, the Federal Truth-in-Lending Act, the Fair Housing Act, the Fair Credit Reporting Act, the National Flood Insurance Act and the Real Estate Settlement Procedures Act and related regulations that prohibit discrimination and require the disclosure

of certain basic information to mortgagors concerning credit terms and settlement costs. Our mortgage banking operations are also affected by various state and local laws and regulations and the requirements of various private mortgage investors.

Community Reinvestment

Under the Community Reinvestment Act (“CRA”), a financial institution has a continuing and affirmative obligation to help meet the credit needs of the entire community, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions or limit an institution’s discretion to develop the types of products and services that it believes are best suited to its particular community. However, institutions are rated on their performance in meeting the needs of their communities. Performance is tested in three areas: (1) lending, to evaluate the institution’s record of making loans in its assessment areas; (2) investment, to evaluate the institution’s record of investing in community development projects, affordable housing, and programs benefiting low- or moderate-income individuals and businesses; and (3) service, to evaluate the institution’s delivery of services through its branches, ATMs and other offices. The CRA requires each federal banking agency, in connection with its examination of a financial institution, to assess and assign one of four ratings to the institution’s record of meeting the credit needs of the community and to take such record into account in its evaluation of certain applications by the institution, including applications for charters, branches and other deposit facilities, relocations, mergers, consolidations, acquisitions of assets or assumptions of liabilities, and savings and loan holding company acquisitions. The CRA also requires that all institutions make public disclosure of their CRA ratings. The Bank was assigned a “satisfactory” rating as a result of its most recent CRA examination.

In 2023, the federal bank regulators jointly issued a final rule to strengthen and modernize the CRA regulations to better achieve the purpose of the CRA. The final rule updates the CRA regulations to evaluate lending outside traditional assessment areas generated by the growth of non-branch delivery systems. The final rule adopts a new metrics-based approach to evaluating bank retail lending and community development financing, using benchmarks based on peer and demographic data. Most of the rule’s requirements will be applicable beginning January 1, 2026. The remaining requirements, including the data reporting requirements, will be applicable on January 1, 2027. On July 16, 2025, the federal bank regulators jointly issued a proposal to rescind the 2023 rule and replace it with the 1995 CRA regulations, with certain technical amendments.

Bank Secrecy Act

Under the Bank Secrecy Act (“BSA”), a financial institution is required to have systems in place to detect certain transactions, based on the size and nature of the transaction. Financial institutions are generally required to report cash transactions involving more than \$10,000 to the United States Treasury. In addition, financial institutions are required to file suspicious activity reports for transactions that involve more than \$5,000 and which the financial institution knows, suspects, or has reason to suspect involves illegal funds, is designed to evade the requirements of the BSA, or has no lawful purpose. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act, commonly referred to as the “USA Patriot Act” or the “Patriot Act”, contains prohibitions against specified financial transactions and account relationships, as well as enhanced due diligence standards intended to prevent the use of the United States financial system for money laundering and terrorist financing activities. The Patriot Act requires banks and other depository institutions, brokers, dealers and certain other businesses involved in the transfer of money to establish anti-money laundering programs, including employee training and independent audit requirements meeting minimum standards specified by the Patriot Act, to follow standards for customer identification and maintenance of customer identification records, and to compare customer lists against lists of suspected terrorists, terrorist organizations and money launderers. The Patriot Act also requires federal bank regulators to evaluate the effectiveness of an applicant in combating money laundering in determining whether to approve a proposed bank acquisition. In July 2024, the federal banking agencies proposed amendments to update the requirements for supervised institutions to establish, implement and maintain effective, risk-based and reasonably designed AML and countering the financing of terrorism (“CFT”) programs. The proposed amendments would require supervised institutions to identify, evaluate and document the regulated institution's money laundering, terrorist financing and other illicit finance activity risks, as well as consider, as appropriate, the U.S. Department of the Treasury's Financial Crimes Enforcement Network's (“FinCEN”) published national AML/CFT priorities.

Cybersecurity

Federal regulations require a banking organization to notify its primary federal regulator as soon as possible, and no later than 36 hours, after the banking organization determines that a “computer-security incident” rising to the level of a “notification incident” has occurred. Notification is required for incidents that have materially affected or are reasonably likely to materially affect the viability of a banking organization’s operations, its ability to deliver banking products and services, or the stability of the financial sector. Service providers are required under the rule to notify affected banking organization customers as soon as possible when the provider determines that it has experienced a computer-security incident that has materially affected or is reasonably likely to materially affect the banking organization’s customers for four or more hours.

Guidance for Third-Party Relationships

The federal bank regulators have jointly issued guidance on risk management of third-party relationships, including third-party lending relationships. The interagency guidance seeks to, among other things, promote consistency in third-party risk management and provide

sound risk management guidance for third-party relationships commensurate with a bank's risk profile and complexity as well as the criticality of the activity.

Brokered Deposits

The FDIC limits the ability to accept brokered deposits to those insured depository institutions that are well capitalized. Institutions that are less than well capitalized cannot accept, renew or roll over any brokered deposit unless they have applied for and been granted a waiver by the FDIC. Institutions that are less than well capitalized that are permitted to accept, renew or rollover brokered deposits via FDIC waiver generally may not pay an interest rate in excess of the national rate plus 75 basis points on such brokered deposits. The FDIC has defined the “national rate” for all interest-bearing deposits held by less-than-well-capitalized institutions as “a simple average of rates paid by all insured depository institutions and branches for which data are available” and has stated that its presumption is that this national rate is the prevailing rate in any market.

Brokered deposits are deposits placed into a bank by a third-party deposit broker. Generally, a person is a “deposit broker” if it is “engaged in the business of placing deposits, or facilitating the placement of deposits, of third parties with insured depository institutions or the business of placing deposits with insured depository institutions for the purpose of selling interests in those deposits to third parties.” FDIC regulations define what it means to be in the business of placing deposits and facilitating the placement of deposits for purpose of the deposit broker definition.

Other Laws and Regulations

Some of the aspects of our lending and deposit business that are subject to regulation by the OCC and the FDIC include reserve requirements and disclosure requirements in connection with personal and mortgage loans and deposit accounts. In addition, we are subject to numerous federal and state laws and regulations that include specific restrictions and procedural requirements with respect to the establishment of branches, investments, interest rates on loans, credit practices, the disclosure of credit terms, and discrimination in credit transactions.

We are also subject to the Gramm-Leach-Bliley Act (the “GLBA”) and its implementing regulations and guidance. Among other things, the GLBA (i) imposes certain limitations on the ability to share consumers’ nonpublic personal information with non-affiliated third-parties and (ii) requires certain disclosures to consumers about information collection, sharing, and security practices and their right to “opt out” of the institution’s disclosure of their personal financial information to non-affiliated third-parties (with certain exceptions).

Enforcement Actions

Federal and state statutes and regulations provide financial institution regulatory agencies with great flexibility to undertake an enforcement action against an institution that fails to comply with regulatory requirements. Possible enforcement actions range from the imposition of a capital plan and capital directive to civil money penalties, cease-and-desist orders, receivership, conservatorship, or the termination of the deposit insurance.

AVAILABLE INFORMATION

The Company maintains an Internet site at www.shorebancshares.com on which it makes available, free of charge, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to the foregoing as soon as reasonably practicable after these reports are electronically filed with, or furnished to, the SEC. In addition, stockholders may access these reports and documents on the SEC’s website at www.sec.gov. The information on, or accessible through, our website or any other website cited in this Annual Report on Form 10-K is not part of, or incorporated by reference into, this Annual Report on Form 10-K and should not be relied upon in determining whether to make an investment decision.

Information About Our Executive Officers (as of December 31, 2025)

Executive Officer	Recent Work Experience	Age
James M. Burke <i>President and Chief Executive Officer</i>	President and Chief Executive Officer since July 1, 2023. Prior to that time, he served as President and Chief Executive Officer of The Community Financial Corporation.	57
Charles S. Cullum <i>Executive Vice President and Chief Financial Officer</i>	Chief Financial Officer since April 21, 2025. Prior to that time, he served as Chief Financial Officer of Sandy Spring Bancorp, Inc. from May 2024 to April 2025, Treasurer from July 2022 to May 2024 and Corporate Strategist and Director of Financial Analysis prior to July 2022.	41
Virginia M. Anderson <i>Executive Vice President and Chief Internal Audit Officer</i>	Chief Internal Audit Officer since January 1, 2025. From January 1, 2024, to December 31, 2024, she served as Director of Internal Audit. From July 1, 2023, to December 31, 2023, she served as Director of Special Projects. Prior to that time, she served as Vice President of Special Projects of Community Bank of the Chesapeake.	67
B. Scot Ebron <i>Executive Vice President and Chief Banking Officer</i>	Chief Banking Officer since July 1, 2023. Prior to that time, he served as Chief Banking Officer of The Community Financial Corporation.	57
Christy Lombardi <i>Executive Vice President and Chief Human Resources Officer</i>	Chief Human Resources Officer since July 1, 2023. Prior to that time, she served as Chief Operating Officer of The Community Financial Corporation.	49
Aaron M. Kaslow <i>Executive Vice President and Chief Legal Officer</i>	Chief Legal Officer since October 20, 2025. Prior to that time, he served as General Counsel and Chief Administrative Officer of Sandy Spring Bancorp, Inc.	61
Lacey A. Pierce <i>Executive Vice President and Chief Strategy & Project Officer</i>	Chief Strategy & Project Officer since January 1, 2025. Previously Chief Administrative Officer since July 1, 2023. Prior to that time, she served as Chief Administrative Officer of The Community Financial Corporation.	40
Charles E. Ruch, Jr. <i>Executive Vice President and Chief Credit Officer</i>	Chief Credit Officer since 2016.	66
Noah Stayton <i>Executive Vice President and Chief Information Officer</i>	Chief Information Officer since August 4, 2025. Previously head of the North America Risk Practice at Visa Consulting and Analytics.	40
Donna J. Stevens <i>Executive Vice President and Chief Operating Officer</i>	Chief Operating Officer since 2015.	63
Talal Tay <i>Executive Vice President and Chief Risk Officer</i>	Chief Risk Officer since July 1, 2023. Prior to that time, he served as Chief Risk Officer of The Community Financial Corporation.	48

Item 1A. RISK FACTORS

Investing in our common stock involves risks, including the possibility that the value of the investment could fall substantially and that dividends or other distributions could be reduced or eliminated. Investors should carefully consider the following risk factors before making an investment decision regarding our stock. The following risk factors may cause our future earnings to be lower or our financial condition to be less favorable than expected, which could adversely affect the value of, and return on, an investment in the Company. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may cause earnings to be lower or may adversely impact our financial condition. Investors should also consider the other information in this Annual Report on Form 10-K, as well as in the documents incorporated by reference into this Form 10-K, as the same may be updated from time to time by our future filings with the SEC under the Exchange Act.

Risks Related to the Economy, Financial Markets, Interest Rates and Liquidity

The geographic concentration of our operations makes us susceptible to downturns in local economic conditions.

Our banking operations are concentrated in eastern and southern Maryland, Delaware and northern Virginia. Our success depends in part upon economic conditions in these markets. The Washington, D.C. metropolitan area is characterized by a significant number of businesses that are federal government contractors or subcontractors, or that depend on such businesses for a significant portion of their revenues. In addition, federal government employees make up a significant proportion of the population of the Washington, D.C. metropolitan area. Reductions in the federal workforce through layoffs and buyouts, furloughs of government employees or government contractors, as well as cancelling government contracts and other impacts from declining government spending, lapses in appropriations, or changes in fiscal appropriations could have adverse impacts on other businesses in our market and the general economy of the greater Washington, D.C. metropolitan area. Adverse changes in economic conditions in our markets could limit growth in loans and deposits, impair our ability to collect amounts due on loans, increase problem loans and charge-offs and otherwise negatively affect our performance and financial condition. Declines in real estate values could cause some of our residential and commercial real estate loans to be inadequately collateralized, which would expose us to a greater risk of loss if the recovery on amounts due on defaulted loans is resolved by selling the real estate collateral under duress or to expedite payment.

Changes in interest rates may adversely affect our earnings and financial condition.

Our net income depends to a great extent upon the level of net interest income, which is the difference between the interest income earned on loans, investments, and other interest-earning assets, and the interest paid on interest-bearing liabilities, such as deposits and borrowings. Net interest income is affected by changes in market interest rates because different types of assets and liabilities may react differently, and at different times, to market interest rate changes. When interest-bearing liabilities mature or re-price more quickly than interest-earning assets in a period, an increase in market rates of interest could reduce net interest income. Similarly, when interest-earning assets mature or re-price more quickly than interest-bearing liabilities, falling interest rates could reduce net interest income.

Changes in market interest rates are affected by many factors beyond our control, including inflation, unemployment, money supply, fiscal policies of the U.S. government, domestic and international events, and events in U.S. and other financial markets. We attempt to manage our risk from changes in market interest rates by adjusting the rates, maturity, re-pricing, and balances of the different types of interest-earning assets and interest-bearing liabilities, but interest rate risk management techniques are not exact. As a result, a rapid increase or decrease in interest rates could have an adverse effect on our results of operations. Changes in the market interest rates for types of products and services in various markets also may vary significantly from location to location and over time based upon competition and local or regional economic factors.

For further discussion regarding the impact of interest rate movements on net interest income, see Item 7A of this report. The results of any interest rate sensitivity simulation model depend upon a number of assumptions regarding customer behavior, movement of interest rates and cash flows, any of which may prove to be inaccurate.

Inflation can have an adverse impact on our business and on our customers.

Inflation generally increases the cost of goods and services we use in our business operations, as well as labor costs. We may find that we need to give higher than normal raises to employees and start new employees at a higher wage. Furthermore, our clients are also affected by elevated inflation and the rising costs of goods and services used in their households and businesses, which could have a negative impact on their ability to repay their loans with us. Historically, the Federal Reserve has increased the federal funds target rate in an effort to combat elevated inflation. Market interest rates generally increase in response to the Federal Reserve's actions. Higher market interest rates increase borrowing costs and depress loan demand. As market interest rates rise, the value of our investment securities generally decreases, although this effect can be less pronounced for floating rate instruments. Higher interest rates increase the attractiveness of alternative investment and savings products, like U.S. Treasury securities and money market funds, which can make it difficult to attract and retain deposits. Sustained higher interest could weaken economic activity. A deterioration in economic conditions in the United States and our markets could result in a further increase in loan delinquencies and nonperforming assets, decreases in loan collateral values, and a decrease in demand for our products and services, all of which, in turn, would adversely affect our business, financial condition, and results of operations.

Insufficient liquidity could impair our ability to fund operations and jeopardize our financial condition, growth and prospects.

We require sufficient liquidity to fund loan commitments, satisfy depositor withdrawal requests, make payments on our debt obligations as they become due, and meet other cash commitments. Liquidity risk is the potential that we will be unable to meet our obligations as they become due because of an inability to liquidate assets or obtain adequate funding at a reasonable cost, in a timely manner, and without adverse conditions or consequences. Our sources of liquidity consist primarily of cash, assets readily convertible to cash (such as investment securities), increases in deposits, advances, as needed, from the FHLB, borrowings, as needed, from the Federal Reserve Bank of Richmond, and other borrowings. Our access to funding sources in amounts adequate to finance our activities or on acceptable terms could be impaired by factors that affect our organization specifically or the financial services industry or economy generally. Core deposits and FHLB advances are our primary source of funding. A significant decrease in core deposits, an inability to renew FHLB advances, an inability to obtain alternative funding to core deposits or FHLB advances, or a substantial, unexpected, or prolonged change in the level or cost of liquidity could have a negative effect on our business, financial condition and results of operations.

Our business may be adversely affected by unfavorable economic, market, and political conditions.

Our results of operations could be adversely affected in the event of an economic recession because we could experience higher loan charge-offs and higher operating costs. Adverse economic conditions, both in the U.S. and globally, including persistent inflation, rising interest rates, supply chain issues, labor shortages or changes in United States trade policies, including the imposition of tariffs and retaliatory tariffs, could adversely affect our results of operations. Changes in interest rates, inflation, or the financial markets could affect demand for our products. Real estate market conditions directly affect performance of our loans secured by real estate. Debt markets affect the availability of credit, which impacts the rates and terms at which we offer loans. Stock market downturns often signal broader economic deterioration and/or a downward trend in business earnings, which may adversely affect businesses' ability to raise capital and/or service their debts. Political and electoral changes, developments, conflicts, and conditions have in the past introduced, and may in the future introduce, additional uncertainty that may also affect our results of operations.

Unfavorable economic, market and political conditions could have direct or indirect material adverse impacts on us, our customers, and our counterparties and could result in one or more of the following:

- a decrease in the demand for our loans and other products and services offered by us;
- a decrease in our deposit balances due to overall reductions in the accounts of customers;
- a decrease in the value of collateral securing our loans;
- an increase in the level of nonperforming and classified loans;
- an increase in provisions for credit losses and loan charge-offs;
- a decrease in net interest income;
- a decrease in our ability to access the capital markets; and
- an increase in our operating expenses associated with attending to the effects of certain circumstances listed above.

Our investment securities portfolio is subject to credit risk, market risk, and liquidity risk.

Our investment securities portfolio has risk factors beyond our control that may significantly influence its fair value. These risk factors include, but are not limited to, rating agency downgrades of the securities, defaults of the issuers of the securities, lack of market pricing of the securities, and instability in the credit markets. Lack of market activity with respect to some securities has, in certain circumstances, required us to base our fair market valuation on unobservable inputs. Any changes in these risk factors, in current accounting principles or interpretations of these principles could impact our assessment of fair value. Adjustments to the allowance for credit losses on held-to-maturity investment securities would negatively affect our earnings and regulatory capital ratios.

Credit Risks

Our allowance for credit losses may not be adequate to cover our actual credit losses; additions to the allowance for credit losses could adversely affect our financial condition and results of operations.

We maintain an allowance for credit losses in an amount that is believed to be appropriate to provide for expected losses inherent in the portfolio. We monitor credit quality and seek to identify loans that may become nonperforming; however, at any time there could be loans in the portfolio that may result in losses, but that have not been identified as nonperforming or potential problem credits. We may be unable to identify all deteriorating credits prior to them becoming nonperforming assets, or to limit losses on those loans that are identified. As a result, future additions to the allowance may be necessary. Additionally, future additions to the allowance may be required based on changes in forecasted economic conditions, changes in the loans comprising the portfolio and changes in the financial condition of borrowers, or as a result of assumptions used by management in determining the allowance. Additionally, banking regulators, as an integral part of their supervisory function, periodically review the adequacy of our allowance for credit losses. These regulatory agencies may require an increase in the provision for expected credit losses or to recognize further loan charge-offs based upon their judgments, which may be different from ours. Any increase in the allowance for credit losses could have a negative effect on our financial condition and results of operations.

We may not be able to adequately measure and limit our credit risk, which could lead to unexpected losses.

The business of lending is inherently risky, including risks that the principal of or interest on any loan will not be repaid timely, or at all, or that the value of any collateral supporting the loan will be insufficient to cover our outstanding exposure. These risks may be affected by the strength of the borrower's business sector and local, regional and national market and economic conditions. Many of our loans are made to small- to medium-sized businesses that may be less able to withstand competitive, economic and financial pressures than larger borrowers. Our risk management practices, such as monitoring the concentration of loans within specific industries and credit approval practices, may not adequately reduce credit risk, and credit administration personnel, policies and procedures may not adequately adapt to changes in economic or any other conditions affecting customers and the quality of the loan portfolio. A failure to effectively measure and limit the credit risk associated with our loan portfolio could lead to unexpected losses and have a material adverse effect on our business, financial condition and results of operations.

Our commercial real estate lending activities expose us to increased lending risks and related loan losses.

At December 31, 2025, our commercial real estate loan portfolio totaled \$2.64 billion, or 53.95% of our total loan portfolio. Commercial real estate loans generally expose a lender to greater risk of non-payment and loss than one-to-four family residential mortgage loans because repayment of the loans often depends on the successful operation of the properties and the income stream of the borrowers. These loans involve larger loan balances to single borrowers or groups of related borrowers compared to one-to-four family residential mortgage loans. Some segments have shown some signs of weakness as rising expenses and debt costs and lower valuations have impacted credit quality metrics. Vacancy rates have risen in the office sector, which is experiencing significant structural shifts that could take several years to fully materialize as remote work practices normalize. To the extent that borrowers have more than one commercial real estate loan outstanding, an adverse development with respect to one loan or one credit relationship could expose us to a significantly greater risk of loss compared to an adverse development with respect to a one-to-four family residential real estate loan. Moreover, if loans that are collateralized by commercial real estate become troubled and the value of the real estate has deteriorated significantly, then we may not be able to recover the full contractual amount of principal and interest that we anticipated at the time we originated the loan. A decline in the value of the collateral for a loan may require us to increase our allowance for credit losses, which would adversely affect our financial condition and results of operations.

Imposition of limits by the bank regulators on commercial real estate lending activities could curtail our growth and adversely affect our earnings.

A bank's commercial real estate lending exposure could receive increased supervisory scrutiny when total commercial investor real estate loans, including loans secured by apartment buildings, nonowner-occupied investor real estate, and construction and land loans, represent 300% or more of an institution's total risk-based capital, and the outstanding balance of the commercial real estate loan portfolio has increased by 50% or more during the preceding 36 months. At December 31, 2025, our total commercial investor real estate loans, including loans secured by apartment buildings, nonowner-occupied commercial real estate, and construction and land loans represented 342.55% of the Bank's total risk-based capital. Management has established a commercial real estate lending framework to monitor specific exposures and limits by types within the commercial real estate loan portfolio and takes appropriate actions, as necessary. If the OCC, the Bank's primary federal regulator, were to impose restrictions on the amount of commercial real estate loans we can hold in our portfolio, it could curtail or growth and adversely affect our earnings. If we are required to maintain higher levels of capital as a result of our commercial real estate loan concentrations, we may need to obtain additional capital, which may adversely affect shareholder returns.

Our concentration of residential mortgage loans exposes us to increased lending risks.

At December 31, 2025, 33.60% of our total loan portfolio was secured by one-to-four family real estate, a significant majority of which is located in Maryland, Delaware and northern Virginia. One-to-four family residential mortgage lending is generally sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations, making loss levels difficult to predict. Declines in real estate values could cause some of our residential mortgages to be inadequately collateralized, which would expose us to a greater risk of loss if we seek to recover on defaulted loans by selling the real estate collateral.

An increase in nonperforming assets would adversely impact earnings.

Nonperforming assets adversely affect net income in various ways. Interest income is not accrued on nonaccrual loans, other real estate owned or repossessed assets. We must record a reserve for expected credit losses, which is established through a current period charge in the form of a provision for expected credit losses, and from time to time we must write down the value of properties in our other real estate owned and repossessed assets portfolios to reflect changing market values. Additionally, there are legal fees associated with the resolution of problem assets as well as carrying costs such as taxes, insurance and maintenance related to other real estate owned and repossessed assets. Further, the resolution of nonperforming assets requires the active involvement of management, which can distract them from more profitable activities. Finally, if the estimate for the recorded allowance for credit losses proves to be incorrect and the allowance is inadequate, the allowance will have to be increased and, as a result, our earnings would be adversely affected.

Appraisals may not accurately describe the value of our collateral.

When making a loan secured by real property, we generally require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made and does not guarantee that the appraised value could be realized upon sale of the property. Real estate values can change significantly in relatively short periods of time, especially in periods of changing interest rates and economic uncertainty. If the amount realizable upon the sale of the collateral is less than the appraised value, we may not be able to recover the full contractual amount of principal and interest that we anticipated at the time we originated the loan. In addition, we rely on appraisals and other valuation techniques to establish the value of foreclosed real estate and to determine certain loan impairments. If any of these valuations are incorrect, our consolidated financial statements may reflect the incorrect value of our other real estate owned and our allowance for credit losses may not accurately reflect loan impairments.

Strategic and Other Risks

Our future success will depend on our ability to compete effectively in the highly competitive financial services industry.

We face substantial competition in all phases of our operations from a variety of different competitors. We compete with commercial banks, credit unions, savings and loan associations, mortgage banking firms, consumer finance companies, securities brokerage firms, money market funds and other mutual funds, as well as other local and community, super-regional, national and international financial institutions that operate offices in our primary market areas and elsewhere. Credit unions have federal tax exemptions, which may allow them to offer lower rates on loans and higher rates on deposits than taxpaying financial institutions such as commercial banks. In addition, non-depository institution competitors are generally not subject to the extensive regulation applicable to institutions that offer federally insured deposits. Because technology and other changes have lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, we also compete with financial technology companies seeking to disrupt conventional banking markets. Our future growth and success will depend on our ability to compete effectively in this highly competitive financial services environment. Failure to attract new clients or retain existing ones could have an adverse effect on our financial condition and results of operations.

The loss of key personnel could disrupt our business.

Our continued growth and future success will depend in large part on the skills of our management team, as well as on our ability to attract, motivate and retain highly qualified senior and middle management and other skilled employees. The loss of service of one or more of our executive officers or key personnel could reduce our ability to successfully implement our long-term business strategy. Leadership changes will occur from time to time and we cannot predict whether or when significant resignations will occur or whether we will be able to recruit additional qualified personnel. We believe our management team possesses valuable knowledge about the banking industry and our markets and that their knowledge and relationships would be very difficult to replicate. Our success also depends on the experience of our branch managers and lending officers and on their relationships with the customers and communities they serve. The loss of these key personnel could negatively affect our banking operations. Competition for qualified employees is intense, and the process of locating key personnel with the combination of skills, attributes and business relationships required to execute our business plan may be lengthy. The loss of key personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition and results of operations.

Acquisitions could disrupt our business.

The success of future acquisitions we may consummate may depend, in part, on the ability to realize the estimated cost savings and combine the acquired businesses with our existing operations in a manner that does not materially disrupt the existing customer relationships of either institution, or result in decreased revenues resulting from any loss of customers, and that permits growth opportunities to occur. If we are unable to successfully achieve these objectives, the anticipated benefits of future acquisitions may not be realized fully or at all or may take longer to realize than expected.

It is possible that the potential cost savings of future acquisitions could turn out to be more difficult to achieve than anticipated and the integration process associated with an acquisition could result in the loss of key employees, the disruption of ongoing businesses or inconsistencies in standards, controls, procedures, and policies that adversely affect our ability to maintain relationships with customers and employees or to achieve the anticipated benefits of the acquisitions. Integration efforts could also divert management attention and resources. These integration matters could have an adverse effect on us during this transition period and for an undetermined period after completion of a transaction.

Operational Risks

Our funding sources may prove insufficient to replace deposits and support our future growth.

We rely on customer deposits, advances from the FHLB, and lines of credit at other financial institutions to fund our operations. Although we have historically been able to replace maturing deposits and advances if desired, no assurance can be given that we would be able to replace such funds in the future if our financial condition or the financial condition of the FHLB or market conditions were to change. Our financial flexibility will be severely constrained and/or our cost of funds will increase if we are unable to maintain our access to funding or if financing necessary to accommodate future growth is not available at favorable interest rates. Finally, if we are required to place greater

reliance on more expensive funding sources to support future growth, our revenues may not increase proportionately to cover our costs. In this case, our results of operations would be adversely affected.

Income from mortgage-banking operations is volatile and we may incur losses with respect to our mortgage-banking operations that could negatively affect our earnings.

One component of our strategy is to sell on the secondary market the longer term, conforming fixed-rate residential mortgage loans that we originate, earning noninterest income in the form of gains on the sale of the loans. When interest rates rise, the demand for mortgage loans tends to fall and may reduce the number of loans we can originate for sale. Weak or deteriorating economic conditions also tend to reduce loan demand. When mortgage loans are sold, it is customary to make representations and warranties to the purchaser about the mortgage loans and the manner in which they were originated. Whole loan sale agreements require the repurchase or substitution of mortgage loans in the event we breach any of these representations or warranties. In addition, there may be a requirement to repurchase mortgage loans as a result of borrower fraud or in the event of early payment default of the borrower on a mortgage loan. Repurchase and indemnity demands, if significant, could adversely affect our financial condition and results of operations.

Any delays in our ability to foreclose on delinquent mortgage loans may increase our costs and expose us to greater losses.

The origination of mortgage loans occurs with the expectation that, if the borrower defaults, the ultimate loss would be mitigated by the value of the collateral that secures the mortgage loan. The ability to mitigate the losses on defaulted loans depends upon the ability to promptly foreclose upon the collateral after an appropriate cure period. The length of the foreclosure process depends on state law and other factors, such as the volume of foreclosures and actions taken by the borrower to stop the foreclosure. Any delay in the foreclosure process will adversely affect us by increasing the expenses related to carrying such assets, such as taxes, insurance, and other carrying costs, and expose us to losses as a result of potential additional declines in the value of such collateral.

The strict enforcement of federal laws regarding cannabis could result in our inability to continue to provide banking services to marijuana-related businesses and expose us to legal action by the federal government.

We have deposit and loan customers that are licensed in several states within the United States to do business in the cannabis industry as growers, processors, and dispensaries. While cannabis is legal in these states of operation, it remains classified as a Schedule I controlled substance under the federal Controlled Substances Act. As such, the cultivation, use, distribution, and possession of cannabis is a violation of federal law that is punishable by imprisonment and fines. Notwithstanding state law that permits the sale of cannabis, the federal government has the authority to regulate and criminalize cannabis, including medical marijuana.

Prior to 2018, the U.S. Department of Justice characterized the enforcement of the Controlled Substances Act against persons and entities complying with state regulatory systems permitting the use, manufacture and sale of medical marijuana as an inefficient use of their prosecutorial resources and discretion. Although the DOJ rescinded this position, as of the date of this report we are not aware of any insured depository institution that has been prosecuted by the DOJ based on providing otherwise lawful banking products and services to the cannabis industry.

Since 2014, the U.S. Congress has annually included a rider to an omnibus spending bill that prohibits the DOJ and the U.S. Drug Enforcement Administration from using funds from relevant appropriations acts to prevent states from implementing their own laws that authorize the use, distribution, possession, or cultivation of medical marijuana. Further, the U.S. Court of Appeals for the Ninth Circuit has held that this spending restriction prohibits the DOJ from spending funds from relevant appropriations acts to prosecute individuals who engage in conduct permitted by state medical marijuana laws and who fully comply with such laws. The Ninth Circuit ruling is not binding on federal courts outside of the Ninth Circuit, including those in Maryland, Delaware and Virginia. Additionally, as the possession and use of cannabis remains illegal under the Controlled Substances Act, we may be deemed to be aiding and abetting illegal activities through the services that we provide to these customers and could have legal action taken against us by the federal government, including imprisonment and fines. Elimination of restrictions on the DOJ from spending money on certain enforcement activities and any change in the federal government's enforcement position with respect to state cannabis laws could cause us to cease providing banking services to the medical and adult-use cannabis industry, which could have a material adverse effect on our business, financial condition, and results of operations.

The Financial Crimes Enforcement Network has provided guidance for financial institutions on how to serve marijuana-related businesses while complying with the Bank Secrecy Act and federal law. Any change in this guidance, any new regulations or legislation, any change in existing regulations, and any change in regulatory policy or interpretation of laws or regulations could increase our cost of regulatory compliance, which could have a material adverse effect on our business, financial condition, and results of operations.

On December 18, 2025, President Trump issued an executive order directing the Attorney General to take all necessary steps to complete the rulemaking process related to rescheduling marijuana to Schedule III of the Controlled Substances Act, which would allow marijuana to be recognized for acceptable medical use. Rescheduling marijuana would not legalize marijuana for recreational use or override state cannabis laws. As long as marijuana remains a controlled substance, whether in Schedule I or Schedule III, the manufacture, distribution, and possession of state-legal marijuana generally remain federal crimes.

Our risk management framework may not be effective in mitigating risks and/or losses to us.

Our risk management framework is comprised of various processes, systems and strategies, and is designed to manage the types of risk to which we are subject, including, among others, credit, market, liquidity, interest rate, operational and compliance. Our framework also includes financial or other modeling methodologies that involve management assumptions and judgment. Our risk management framework may not be effective under all circumstances and may not adequately mitigate any risk of loss to us. If our risk management framework is not effective, we could suffer unexpected losses and our business, financial condition, or results of operations could be materially and adversely affected. We also may be subject to potentially adverse regulatory consequences.

Risks Related to our Financial Statements

We may incur impairment charges on our investment securities, which could adversely impact our results of operations, liquidity, financial condition, or growth prospects.

Under current accounting standards, declines in the fair value of our available for sale or held to maturity securities that are judged to be other-than-temporary would require us to write down the securities to fair value through charges to earnings. These charges could reduce our net income and equity, negatively affect our liquidity, and require us to raise additional capital or curtail growth initiatives. Future triggering events could include prolonged or severe credit deterioration, adverse changes in market conditions (e.g., interest-rate spikes or widening credit spreads), issuer-specific credit events, or unexpected downgrades by rating agencies.

Impairment goodwill, other intangible assets, or deferred tax assets could require charges to earnings, which would adversely impact on our results of operations.

Under current accounting standards, goodwill is subject to impairment tests on at least an annual basis or more frequently if an event occurs or circumstances change that reduce the fair value of a reporting unit below its carrying amount. Intangible assets other than goodwill are also subject to impairment tests at least annually. A decline in the price of our common stock or occurrence of a triggering event following any of our quarterly earnings releases and prior to the filing of the periodic report for that period could, under certain circumstances, cause us to perform goodwill and other intangible assets impairment tests and result in an impairment charge being recorded for that period which was not reflected in such earnings release. If we conclude that all or a portion of our goodwill or other intangible assets may be impaired, a non-cash charge for the amount of such impairment would be recorded to earnings. At December 31, 2025, we had recorded goodwill of \$63.3 million and other intangible assets, net of \$29.7 million, representing approximately 10.7% and 5.0% of stockholders' equity, respectively.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Assessing the need for, or the sufficiency of, a valuation allowance requires management to evaluate all available evidence, both negative and positive, including the recent trend of quarterly earnings. Positive evidence necessary to overcome the negative evidence includes whether future taxable income in sufficient amounts and character within the carryback and carryforward periods is available under the tax law, including the use of tax planning strategies. When negative evidence (e.g., cumulative losses in recent years, history of operating loss or tax credit carry forwards expiring unused) exists, more positive evidence than negative evidence will be necessary. At December 31, 2025, our gross deferred tax assets were approximately \$51.7 million. There was a valuation allowance of deferred taxes of \$2.8 million recorded at December 31, 2025, as management believes it is more likely than not that net operating losses for Shore Bancshares only will not be realized for state income tax purposes. Shore Bancshares files a separate return with the State of Maryland and does not expect that it will generate sufficient taxable income to utilize its deferred tax assets. No valuation allowance is currently recorded for state deferred income taxes of the Bank or at the federal level where we file a consolidated tax return.

Changes in accounting standards or interpretation of new or existing standards may affect how we report our financial condition and results of operations.

From time to time the Financial Accounting Standards Board ("FASB") and the SEC change accounting regulations and reporting standards that govern the preparation of our financial statements. In addition, the FASB, SEC, bank regulators and our independent auditors may revise their previous interpretations regarding existing accounting regulations and the application of these accounting standards. These changes can be difficult to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, there could be a requirement to apply a new or revised accounting standard retroactively, resulting in the restatement of prior period financial statements.

The Current Expected Credit Loss ("CECL") accounting standard could require us to increase our allowance for credit losses and may have a material adverse effect on our financial condition and results of operations.

Accounting Standard Update ("ASU") No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, requires advanced modeling techniques, heavy reliance on assumptions, and dependence on historical data that may not accurately forecast losses. CECL can result in volatility in the level of the allowance for credit losses, depending on various factors and assumptions applied in the model, such as forecasted economic conditions and loan payment behaviors. Any increase in the allowance for

credit losses, or expenses incurred to determine the appropriate level of the allowance for credit losses, can have an adverse effect on our financial condition and results of operations.

Our accounting estimates and risk management processes rely on analytical and forecasting models.

The processes that we use to estimate our allowance for credit losses and to measure the fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and other market measures on our financial condition and results of operations, depend upon the use of analytical and forecasting models. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are adequate, the models may prove to be inadequate or inaccurate because of other flaws in their design or their implementation. If the models that we use for interest rate risk and asset-liability management are inadequate, we could incur increased or unexpected losses upon changes in market interest rates or other market measures. Inaccurate deposit assumptions could render model results unreliable and may mask our true interest rate risk and liquidity risk profiles. Inaccurate model projections and stresses may result in higher-than-forecast funding costs and potentially unexpected liquidity shortfalls. If the models that we use for determining our allowance for expected credit losses are inadequate, the allowance for credit losses may not be sufficient to support future charge-offs. If the models that we use to measure the fair value of financial instruments are inadequate, the fair value of such financial instruments may fluctuate unexpectedly or may not accurately reflect what we could realize upon sale or settlement of such financial instruments. Any such failure in our analytical or forecasting models could have a material adverse effect on our financial condition and results of operations.

We have previously identified material weaknesses in our internal controls.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act and for evaluating and reporting on that system of internal control. In the past, material weaknesses have been identified in our internal control over financial reporting. In the future, we may identify additional material weaknesses or otherwise fail to maintain an effective system of internal control over financial reporting or adequate disclosure controls and procedures, which may result in material errors in our financial statements or cause us to fail to meet our period reporting obligations. If we fail to establish and maintain effective control over financial reporting, it may adversely affect our ability to accurately and timely report our financial results in the future, may adversely affect investor confidence, our reputation and our ability to raise additional capital, cause the market price of our stock to decline, expose us to sanctions or investigations by the SEC or other regulatory authorities, or impact our results of operations.

We depend on the accuracy and completeness of information about customers and counterparties and our financial condition could be adversely affected if we rely on inaccurate information.

In deciding whether to extend credit or to enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and counterparties, including financial statements and other financial information, which we do not independently verify. We also may rely on representations of customers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit to customers, we may assume that a customer's audited financial statements conform with generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. Our financial condition and results of operations could be negatively impacted to the extent we rely on inaccurate information.

Operational risks, including system failures, human error, and third-party dependencies could adversely affect our business.

We are exposed to many types of operational risks, including reputation, legal and compliance risk, the risk of fraud or theft by employees or outsiders, unauthorized transactions by employees or operational errors, clerical or record-keeping errors, and errors resulting from faulty or disabled computer or telecommunications systems.

Certain errors may be repeated or compounded before they are discovered and successfully rectified. Our necessary dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. We are further exposed to the risk that our external vendors may be unable to fulfill their contractual obligations (or will be subject to the same risk of fraud or operational errors by their respective employees as are we) and to the risk that our (or our vendors') business continuity and data security systems prove to be inadequate.

Risks Related to Cybersecurity and Technology

Our information systems may experience an interruption or breach in security.

We rely heavily on communications and information systems to conduct our business. We, our customers, and other financial institutions with which we interact, are subject to ongoing, continuous attempts to penetrate key systems by individual hackers, organized criminals, and in some cases, state-sponsored organizations. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan, human resources, and other systems, misappropriation of funds, and theft of proprietary or customer data. The occurrence of any failure, interruption or security breach of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to

civil litigation and possible financial liability, any of which could have a material adverse effect on our business, financial condition and results of operations.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

Cybersecurity risks for banking organizations have significantly increased in recent years in part because of the proliferation of new technologies, including artificial intelligence, and the use of the internet and telecommunications technologies to conduct financial transactions.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our customers, suppliers and business partners, and personally identifiable information of our customers and employees. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security measures, our facilities and systems, and those of our third-party service providers and vendors, may be vulnerable to cyber-attacks, security breaches, ransomware, unauthorized activity and access, malicious code, acts of vandalism, computer viruses, theft of data, misplaced or lost data, fraud, misconduct or misuse, social engineering attacks and denial of service attacks, phishing attacks, programming or human errors, physical break-ins, or other disruptions (including natural disasters), any of which could result in critical data becoming inaccessible or the loss or disclosure of confidential or personal client or employee information or our own proprietary information. Any such loss or disclosure of confidential information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, disrupt our operations and the services we provide to customers, damage our reputation, and cause a loss of confidence in our products and services, which could adversely affect our business, financial condition, and results of operations.

Failure to comply with privacy and information security laws could expose us to liability.

We are subject to laws regarding the privacy, information security and protection of personal information. Any violation of these laws or another incident involving personal, confidential or proprietary information of individuals could damage our reputation and otherwise adversely affect our business, financial condition, and results of operations. Our business requires the collection and retention of large volumes of customer data, including personally identifiable information in various information systems that we maintain and in those maintained by third parties with whom we contract to provide data services. We also maintain important internal company data such as personally identifiable information about our employees and information relating to our operations. We are subject to complex and evolving laws and regulations governing the privacy and protection of personal information of individuals (including customers, employees, suppliers and other third parties). For example, our business is subject to the Gramm-Leach-Bliley Act which, among other things: (i) imposes certain limitations on our ability to share nonpublic personal information about our customers with non-affiliated third parties; (ii) requires that we provide certain disclosures to customers about our information collection, sharing and security practices and afford customers the right to “opt out” of any information sharing by us with non-affiliated third parties (with certain exceptions); and (iii) requires that we develop, implement and maintain a written comprehensive information security program containing appropriate safeguards based on our size and complexity, the nature and scope of our activities, and the sensitivity of customer information we process, as well as plans for responding to data security breaches. Various state and federal laws and regulations impose data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in certain circumstances in the event of a security breach. Ensuring that our collection, use, transfer and storage of personal information complies with all applicable laws and regulations can increase costs.

Furthermore, we may not be able to ensure that all of our clients, suppliers, counterparties and other third parties have appropriate controls in place to protect the confidentiality of the information that they exchange with us, particularly where such information is transmitted by electronic means. If personal, confidential or proprietary information of customers or others were to be mishandled or misused (in situations where, for example, such information was erroneously provided to parties who are not permitted to have the information, or where such information was intercepted or otherwise compromised by third parties), we could be exposed to litigation or regulatory sanctions under personal information laws and regulations. Concerns regarding the effectiveness of our measures to safeguard personal information, or even the perception that such measures are inadequate, could cause us to lose customers or potential customers for our products and services and thereby reduce our revenues. Accordingly, any failure or perceived failure to comply with applicable privacy or data protection laws and regulations may subject us to inquiries, examinations and investigations that could result in requirements to modify or cease certain operations or practices or in significant liabilities, fines or penalties, and could damage our reputation and otherwise adversely affect our business, financial condition, and results of operations.

Our reliance on third party vendors could expose us to additional cyber risk and liability.

The operation of our business involves outsourcing certain business functions and reliance on third-party providers, which may result in transmission and maintenance of personal, confidential and proprietary information to and by such vendors. Although we require third-party providers to maintain certain levels of information security, such providers may experience breaches, non-performance of or outages by their own vendors, unauthorized access, unplanned outages, misuse, computer viruses or other malicious attacks that could ultimately compromise sensitive information possessed by us.

We outsource certain aspects of our data processing to certain third-party providers, which may expose us to additional risk.

We outsource certain key aspects of our data processing to certain third-party providers. While we have selected these third-party providers carefully, we cannot control their actions. If our third-party providers encounter difficulties, including those which result from their failure to provide services for any reason or their poor performance of services, or if we have difficulty in communicating with them, our ability to adequately process and account for customer transactions could be affected, and our business operations could be adversely impacted. Replacing these third-party providers could also entail significant delay and expense.

Our third-party providers may be vulnerable to unauthorized access, natural disasters, computer viruses, insider threats, phishing schemes and other security breaches. Threats to information security also exist in the processing of customer information through various other third-party providers and their personnel. We may be required to expend significant additional resources to protect against the threat of such security breaches and computer viruses, or to alleviate problems caused by such security breaches or viruses. To the extent that the activities of our third-party providers or the activities of our customers involve the storage and transmission of confidential information, security breaches and viruses could expose us to claims, regulatory scrutiny, litigation and other possible liabilities, which could adversely affect our business, financial condition, and results of operations.

We are dependent on our information technology and telecommunications systems and third-party servicers, and systems failures, interruptions or breaches of security could have an adverse effect on our financial condition and results of operations.

Our business is highly dependent on the successful and uninterrupted functioning of our information technology and telecommunications systems and third-party servicers. We outsource many of our major systems, such as data-processing and deposit-processing systems. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt our operations. Our third-party service providers may themselves rely on third-party vendors, including cloud service providers, with which we have no direct relationship. The failure of the systems used by our third-party servicers could also interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity, or such third-party systems fail or experience interruptions. If sustained or repeated, a system failure or service denial could result in a deterioration of our ability to provide customer service, compromise our ability to operate effectively, damage our reputation, result in a loss of customer business and/or subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

In addition, we provide our customers the ability to bank remotely, including online over the Internet and through mobile banking applications. The secure transmission of confidential information is a critical element of remote banking. Our network could be vulnerable to unauthorized access, computer viruses, phishing schemes, spam attacks, human error, natural disasters, power loss and other security breaches. We may be required to spend significant capital and other resources to protect against the threat of security breaches and computer viruses, or to alleviate problems caused by security breaches or viruses. Further, we outsource some of the data processing functions used for remote banking, and accordingly we are dependent on the expertise and performance of our third-party providers. To the extent that our activities, the activities of our customers, or the activities of our third-party service providers involve the storage and transmission of confidential information, security breaches and viruses could expose us to claims, litigation and other possible liabilities. Any inability to prevent security breaches or computer viruses could also cause existing customers to lose confidence in our systems and could adversely affect our reputation, results of operations and ability to attract and maintain customers. In addition, a security breach could also subject us to additional regulatory scrutiny, expose us to civil litigation and possible financial liability and cause reputational damage.

We are at risk of increased losses from fraud.

Fraudulent activity that may be committed against us or our customers may result in financial losses or increased costs to us. Criminals are committing fraud at an increasing rate and are using more sophisticated techniques. Such fraudulent activity has taken many forms, ranging from wire fraud, debit card fraud, check fraud, mechanical devices attached to ATMs, social engineering and phishing attacks to obtain personal information, business email compromise, or impersonation of clients through the use of falsified or stolen credentials. While we have policies and procedures, as well as fraud detection tools, designed to prevent fraud losses, such policies, procedures and tools may be insufficient to accurately detect and prevent fraud. A significant increase in fraudulent activities could lead us to take additional steps to reduce fraud risk, which could increase our costs. Fraud losses may materially and adversely affect our business, financial condition, and results of operations.

Failure to keep up with technological change in the financial services industry could have a material adverse effect on our competitive position or profitability.

The financial services industry is undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-

driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological changes affecting the financial services industry could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to the Regulation of our Industry

We operate in a highly regulated environment, which could restrain our growth and profitability.

The banking industry is heavily regulated. Banking regulations are primarily intended to protect the federal deposit insurance fund and depositors, not shareholders. The Bank is subject to regulation and supervision by the OCC. Shore Bancshares is subject to regulation and supervision by the Federal Reserve. Federal laws and regulations govern numerous matters affecting us, including changes in the ownership or control of banks and bank holding companies, maintenance of adequate capital and sound financial condition, permissible types, amounts and terms of loans and investments, permissible non-banking activities, and restrictions on dividend payments. These and other restrictions limit the way we conduct business and obtain financing. The laws, rules, regulations, and supervisory guidance and policies applicable to us are subject to regular modification and change. Such changes may, among other things, increase the cost of doing business, limit the types of financial services and products we offer, or affect the competitive balance between banks and other financial institutions. Any new regulations or legislation, change in existing regulations or oversight, whether a change in regulatory policy or a change in a regulator's interpretation of a law or regulation, could have a material impact on our operations, increase our costs of regulatory compliance and adversely affect our profitability. While we have developed policies and procedures designed to assist in compliance with these laws and regulations, our compliance policies and procedures may not be effective. Failure to comply (or to ensure that our agents and third-party service providers comply) with laws, regulations, or policies could result in enforcement actions or sanctions by regulatory agencies, civil money penalties, and/or reputational damage, which could have a material adverse effect on our business, financial condition, or results of operations. The burdens imposed by federal and state regulations put banks at a competitive disadvantage compared to less regulated competitors such as finance companies, mortgage banking companies, and leasing companies.

Federal regulators periodically examine our business, and we may be required to remediate adverse examination findings.

As part of the bank regulatory process, the Federal Reserve and the OCC periodically conduct comprehensive examinations of our business, including compliance with laws and regulations. If, as a result of an examination, the Federal Reserve or the OCC were to determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, asset sensitivity, risk management or other aspects of any of our operations had become unsatisfactory, or that we were in violation of any law or regulation, it may take a number of different remedial actions as it deems appropriate. The Federal Reserve and the OCC may enjoin “unsafe or unsound” practices or violations of law, require affirmative actions to correct any conditions resulting from any violation or practice, issue an administrative order that can be judicially enforced, direct an increase in our capital levels, restrict our growth, assess civil monetary penalties against us or our officers or directors, and remove officers and directors. The FDIC also has authority to review the Bank’s financial condition, and, if the FDIC were to conclude that the Bank or its directors were engaged in unsafe or unsound practices, that the Bank was in an unsafe or unsound condition to continue operations, or that the Bank or the directors violated applicable law, the FDIC could move to terminate the Bank’s deposit insurance. Any regulatory action against us could have a material adverse effect on our business, financial condition, and results of operations.

Our FDIC deposit insurance assessments may increase.

Customer deposits are insured by the FDIC up to legal limits. The FDIC assesses fees on insured depository institutions to fund the Deposit Insurance Fund, which protects depositors in the event of bank failures. Our regular assessments are determined by our risk profile. An increase in our risk profile could result in an increase in our deposit insurance assessments. Increases in assessment rates or special assessments may occur in the future, especially if there are significant bank failures. Increases in assessment rates, special assessments, or required prepayments could have a material adverse effect on our business, financial condition and results of operations.

We are subject to numerous laws designed to protect consumers, including the CRA and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The CRA requires the OCC to assess our performance in meeting the credit needs of the communities we serve, including low- and moderate-income neighborhoods. If the OCC determines that we need to improve our performance or are in substantial non-compliance with CRA requirements, various adverse regulatory consequences may ensue. In addition, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. In addition, we are subject to other federal and state laws designed to protect consumers. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must interact with clients when taking deposits, making loans, collecting and servicing loans and providing other services.

A successful regulatory challenge to an institution’s performance under the CRA, fair lending laws or regulations, or consumer lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on expansion, and restrictions on entering new business lines. Private parties may also be

able to challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition and results of operations.

Additionally, state attorneys general can enforce consumer protection laws, including through use of Dodd-Frank Act provisions that authorize state attorneys general to enforce certain provisions of federal consumer financial laws and obtain civil money penalties and other relief available to the CFPB. In conducting an investigation, the state attorneys general may issue a civil investigative demand requiring a target company to prepare and submit, among other items, documents, written reports, answers to interrogatories, and deposition testimony. If we become subject to such an investigation, the required response could result in substantial costs and a diversion of the attention and resources of our management, and any penalties imposed in connection with such investigations could have a material adverse effect on our business, financial condition and results of operations.

We face a risk of noncompliance and enforcement action with the BSA and other anti-money laundering statutes and regulations.

The federal Bank Secrecy Act, the PATRIOT Act and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports as appropriate. The Financial Crimes Enforcement Network is authorized to impose significant civil money penalties for violations of those requirements and engages in coordinated enforcement efforts with the individual federal banking regulators, as well as the Department of Justice, Drug Enforcement Administration and Internal Revenue Service. We are also subject to increased scrutiny of compliance with the rules enforced by the Office of Foreign Asset Control. The OCC also focuses on compliance with the Bank Secrecy Act and anti-money laundering regulations. If our policies, procedures and systems are deemed deficient, we could be subject to liability, including fines and regulatory actions, which may include restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including our acquisition plans. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. Any of these results could have a material adverse effect on our business, financial condition, and results of operations.

Risks Relating to Our Securities

Our common stock is not insured by any governmental entity.

Our common stock is not a deposit account or other obligation of any bank and is not insured by the FDIC or any other governmental entity. Investment in our common stock is subject to risk, including possible loss.

Our ability to pay dividends is limited by law and contract.

The ability to pay dividends to shareholders largely depends on Shore Bancshares' receipt of dividends from the Bank. The amount of dividends that the Bank may pay to Shore Bancshares is limited by federal laws and regulations. The ability of the Bank to pay dividends is also subject to its profitability, financial condition and cash flow requirements. There is no assurance that the Bank will be able to pay dividends to Shore Bancshares in the future. In addition, as a financial holding company, Shore Bancshares' ability to declare and pay dividends is dependent on federal regulatory considerations, including limits on dividends should we not maintain the required capital conservation buffer and guidelines of the Federal Reserve regarding capital adequacy and dividends. It is the policy of the Federal Reserve that bank holding companies should generally pay dividends on common stock only out of earnings, and only if prospective earnings retention is consistent with the organization's expected future needs, asset quality and financial condition. We may limit the payment of dividends, even when the legal ability to pay them exists, in order to retain earnings for other uses.

Our subordinated debt instruments contain restrictions on our ability to declare and pay dividends on or repurchase our common stock.

Under the terms of our subordinated debentures, if (i) there has occurred and is continuing an event of default; (ii) we are in default with respect to payment of any obligations under the related guarantee; or (iii) we have given notice of our election to defer payments of interest on the subordinated debentures by extending the interest distribution period as provided in the indentures governing the subordinated debentures and such period, or any extension thereof, has commenced and is continuing, then we may not, among other things, declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of our capital stock, including our common stock. Under the terms of our subordinated notes, upon the occurrence and during the continuation of an event of default, we may not declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of Shore Bancshares' capital stock. As of December 31, 2025, we were current on all interest due on our outstanding subordinated debt instruments.

Future sales of our common stock or other securities may dilute the value and adversely affect the market price of our common stock.

In many situations, the board of directors has the authority, without any vote of our shareholders, to issue shares of authorized but unissued stock, including shares authorized and unissued under our equity incentive plans. In the future, additional securities may be issued, through

public or private offerings, in order to raise additional capital. Any such issuance would dilute the percentage of ownership interest of existing shareholders and may dilute the per share book value of our common stock.

Provisions in our governing documents and Maryland law may have an anti-takeover effect, and there are substantial regulatory limitations on changes of control of bank holding companies.

Our corporate organizational documents and provisions of federal and state law to which we are subject contain certain provisions that could have an anti-takeover effect and may delay, make more difficult or prevent an attempted acquisition that you may favor or an attempted replacement of our board of directors or management.

In addition, certain provisions of Maryland law may delay, discourage or prevent an attempted acquisition or change in control. Furthermore, banking laws impose notice, approval, and ongoing regulatory requirements on any shareholder or other party that seeks to acquire direct or indirect “control” of an FDIC-insured depository institution or its holding company. These laws include the BHC Act and the Change in Bank Control Act. These laws could delay or prevent an acquisition.

We may issue debt and equity securities that are senior to the common stock as to distributions and in liquidation, which could negatively affect the value of the common stock.

In the future, we may increase our capital resources by entering into debt or debt-like financing or issuing debt or equity securities, which could include issuances of senior notes, subordinated notes, preferred stock or common stock. In the event of our liquidation, our lenders and holders of our debt or preferred securities would receive a distribution of our available assets before distributions to the holders of our common stock. Our decision to incur debt and issue securities in future offerings will depend on market conditions and other factors beyond our control. We cannot predict or estimate the amount, timing or nature of its future offerings and debt financings. Future offerings could reduce the value of shares of our common stock and dilute a stockholder’s interest in us.

The market price for our stock may be volatile.

The market price for our common stock has fluctuated, ranging between \$11.47 and \$19.22 per share during the 12 months ended December 31, 2025. The overall market and the price of our common stock may experience volatility. There may be a significant impact on the market price for the common stock due to, among other things:

- past and future dividend practice;
- financial condition, performance, creditworthiness and prospects;
- quarterly variations in results of operations or the quality of our assets;
- results of operations that vary from the expectations of management, securities analysts and investors;
- changes in expectations as to the future financial performance;
- announcements of innovations, new products, strategic developments, significant contracts, acquisitions and other material events by us or our competitors;
- the operating and securities price performance of other companies that investors believe are comparable to us;
- future sales of our equity or equity-related securities;
- the credit, mortgage and housing markets, the markets for securities relating to mortgages or housing, and developments with respect to financial institutions generally; and
- changes in global financial markets and economies and general market conditions, such as interest or foreign exchange rates, stock, commodity or real estate valuations or volatility or other geopolitical, regulatory or judicial events.

General Risk Factors

Severe weather, earthquakes, other natural disasters, pandemics, acts of war or terrorism and other external and geopolitical events could significantly impact the business.

Severe weather, earthquakes, other natural disasters, pandemics, acts of war or terrorism and other adverse external events could have a significant impact on our ability to conduct business. Such events could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue, cause us to incur additional expenses or disrupt the Company’s operations. Climate change has the potential to increase the frequency and severity of these severe weather events in the future. Although management has established disaster recovery policies and procedures, the occurrence of any such events could have a material adverse effect on our business, financial condition, and results of operations.

Climate change could have a material adverse impact on us and our clients.

We are exposed to risks of physical impacts of climate change and risks arising from the process of transitioning to a less carbon-dependent economy. Climate change-related physical risks include increased severity and frequency of adverse weather events, such as extreme storms and flooding, and longer-term shifts in climate patterns, such as rising temperatures and sea levels and changes in

precipitation amount and distribution. Such physical risks may have adverse impacts on us, both directly on our business operations and as a result of impacts on our borrowers and counterparties, such as declines in the value of loans, investments, real estate and other assets, disruptions in business operations and economic activity, including supply chains, and market volatility.

Transition risks include changes in regulations, market preferences and technologies toward a less carbon-dependent economy. The possible adverse impacts of transition risks include asset devaluations, increased operational and compliance costs, and an inability to meet regulatory or market expectations. For example, we may become subject to new or heightened regulatory requirements and stakeholder expectations regarding climate change, including those relating operational resiliency, disclosure and financial reporting.

The risks associated with climate change are rapidly changing and evolving, making them difficult to assess due to limited data and other uncertainties. We could experience increased expenses resulting from strategic planning, litigation, and technology and market changes, and reputational harm as a result of negative public sentiment, regulatory scrutiny, and reduced investor and stakeholder confidence due to our response to climate change, which, in turn, could have a material negative impact on our business, financial condition, and results of operations.

Negative public opinion regarding us or failure to maintain our reputation in the communities we serve could adversely affect our business and prevent us from growing our business.

Our reputation within the communities we serve is critical to our success. We believe we have set ourselves apart from our competitors by building strong personal and professional relationships with our customers and being an active member of the communities we serve. As such, we strive to enhance our reputation by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve and delivering superior service to our customers. If our reputation is negatively affected by the actions of our employees or otherwise, we could be less successful in attracting new talent and customers or may lose existing customers, and our business, financial condition and earnings could be adversely affected. Further, negative public opinion can expose us to litigation and regulatory action and delay and impede our efforts to implement our growth strategy, which could further adversely affect our business, financial condition, and results of operations.

Changes in tax laws and regulations and differences in interpretation of tax laws and regulations may negatively impact our financial performance.

From time to time, local, state or federal tax authorities change tax laws and regulations, which may result in a decrease or increase to our net deferred tax asset. Local, state or federal tax authorities may interpret laws and regulations differently than we do and challenge tax positions that we have taken on our tax returns. This may result in differences in the treatment of revenues, deductions, credits and/or differences in the timing of these items. The differences in treatment may result in payment of additional taxes, interest, penalties or litigation costs that could have a material adverse effect on our financial condition and results of operations.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 1C. CYBERSECURITY

Cybersecurity Risk Management and Strategy

The Company recognizes that the security of our banking operations is essential to protecting our customers, maintaining our reputation, and preserving the value of the Company. The Board of Directors, through the Board Risk Oversight Committee, provides direction and oversight of our enterprise-wide risk management framework, and cybersecurity represents a component of our overall approach to enterprise-wide risk management. The Enterprise Risk Management Program establishes policies and procedures for assessing the effectiveness and efficiency of information security controls related to both design and operations. We use a variety of tools, including the Federal Financial Institutions Examination Council Cybersecurity Assessment Tools, to help us identify our cybersecurity risks and determine our cybersecurity preparedness. This assessment tool incorporates regulatory guidance. In general, we seek to address cybersecurity risks through a comprehensive, cross-functional approach focused on the confidentiality, security and availability of the information that we collect and store by identifying, preventing, and mitigating cybersecurity threats and effectively responding to cybersecurity incidents that may occur.

As one of the elements of our overall enterprise-wide risk management approach, the Enterprise Risk Management Program is focused on the following key areas:

- **Security Operation and Governance:** As discussed in more detail under the section titled “Cybersecurity Governance,” the Board Risk Oversight Committee oversees our information security and cybersecurity risk management.
- **Collaborative Approach:** We have implemented a cross-functional approach to identifying, assessing, preventing and mitigating cybersecurity threats and incidents, while also implementing controls and procedures that provide for the escalation of certain cybersecurity incidents so that decisions regarding the public disclosure and reporting of such incidents can be made by management.

- **Security Competencies:** We have security competencies and tools designed to evaluate security risks and to protect the confidentiality, integrity and availability of our information systems and data. These assets represent a blend of various management (e.g., policies), operational (e.g., standards and processes), and technical controls (e.g., tools and configurations).
- **Cyber Defense and Incident Response Plan:** We utilize sophisticated security monitoring and detection tools for continuous monitoring of our information systems at all times. We utilize third-party tools and solutions to actively deliver threat analysis, vulnerability management, intrusion detection, intrusion hunting and red team exercises. We also receive the latest cybersecurity alerts and threat intelligence from government agencies and information sharing and analysis centers. Our Incident Response Plan reduces the risks related to security incidents by providing guidance on our response to incidents by focusing on the coordination of personnel, policies and procedures to ensure incidents are detected, analyzed and managed.
- **Third-Party Risk Management:** Management of third parties, including vendors and service providers, is conducted through a risk-based approach, with the level of due diligence driven by risk factors established by the Third-Party Risk Management Program. The process provides awareness and collaboration across all internal teams including Information Technology and Risk Management. A review process is conducted on new or significantly changed key third parties to ensure certain cybersecurity baseline requirements are met and cybersecurity incidents are appropriately disclosed. This process advocates for appropriate standards and controls, based on risk factors, to secure the third parties' information systems, and to ensure the third parties have recovery plans in place.
- **Security Awareness and Education:** We provide annual, mandatory training for employees regarding security awareness to better equip them with the understanding of how to properly use and protect the computing resources entrusted to them, and to communicate our information security policies, standards, processes and practices. Additionally, we conduct monthly email security awareness testing, with follow-up training assigned when deemed necessary.

We leverage continuous monitoring and regular risks assessments to identify current and potential cybersecurity risks. Technical vulnerabilities are identified using automated vulnerability scanning tools, penetration testing, and system management tools, whereas non-technical vulnerabilities are identified via process or procedural reviews. We conduct a variety of assessments throughout the year, both internally and through third parties. Vulnerability assessment and penetration tests are performed on a regular basis to provide us with an unbiased view of our environment and controls. Vulnerabilities identified during these assessments are inventoried in a centralized tracking system and reported to management on a regular basis. A multi-step approach is applied to identify, report and remediate these vulnerabilities, and we adjust our information security policies, standards, processes and practices as necessary based on the information provided by these assessments. Summarized results of key assessments are reported to the Board Risk Oversight Committee.

We engage third parties on a regular basis to assess, test and assist with the implementation of our cybersecurity program to detect and manage cybersecurity risks, including but not limited to third parties who assist with monitoring our information security systems and auditors who assist with conducting penetration tests.

Cybersecurity Governance

The Board of Directors, through the Board Risk Oversight Committee, provides direction and oversight of the enterprise-wide risk management framework of the Company, including the management of risks arising from cybersecurity threats. The Board Risk Oversight Committee reviews and approves the Information Security Policy, which includes our cybersecurity risk management program. The Board of Directors receives regular presentations and updates on cybersecurity risks, including the threat environment, evolving standards, projects and initiatives, risk and vulnerability assessments, independent audit reviews, and technological trends. The Board of Directors also receives information regarding any cybersecurity incident that meets established reporting thresholds, as well as ongoing updates regarding any such incident until it has been addressed. On an annual basis, the full Board of Directors discusses our approach to cybersecurity risk management.

The Information Security Officer, under the guidance of our Chief Risk Officer and Director of Operational Risk, works collaboratively across the Company to implement a program designed to protect our information systems and data from cybersecurity risks. The Information Security Officer is responsible for assessing and managing cybersecurity risks, responding to any cybersecurity incidents in accordance with our Incident Response Plan and Business Continuity Plan, and reporting incidents to appropriate individuals in accordance with the Incident Response Plan. To facilitate the success of our cybersecurity risk management program, multidisciplinary teams throughout the Company are deployed to address cybersecurity threats and to respond to cybersecurity incidents. The Information Technology and the Operational Risk Management teams monitor the prevention, detection, mitigation and remediation of cybersecurity threats and incidents and report such threats and incidents to the Information Security Officer and Chief Information Officer and ultimately the Board Risk Oversight Committee, when appropriate. The Information Security Officer holds the Certified Information Security Manager Certification and is supported by additional team members with extensive backgrounds in cybersecurity and related fields.

Item 2. PROPERTIES

We own or lease buildings across Maryland, Delaware and Virginia that are used in the normal course of our business. The corporate headquarters for the Company and Bank is located at 18 East Dover Street in Easton, Maryland, and is owned by the Company. As of December 31, 2025, 27 of the 40 full-service branches the Bank operates were owned by the Company. For information about our leased premises and properties, see Note 5 – “Leases” and Note 6 – “Premises and Equipment” in the “Notes to Consolidated Financial Statements” included in Part II, Item 8 of this Annual Report on Form 10-K.

Item 3. LEGAL PROCEEDINGS

In the normal course of business, the Company may become involved in litigation arising from its business activities. Management, after consultation with legal counsel, does not anticipate that the ultimate liability, if any, arising from pending legal proceedings will have a material adverse effect on our financial condition or results of operations.

Item 4. MINE SAFETY DISCLOSURES

This item is not applicable.

PART II

Item 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION, HOLDERS AND CASH DIVIDENDS

The shares of the Company’s common stock are listed on the NASDAQ Global Select Market under the symbol “SHBI.” As of February 26, 2026, the Company had approximately 1,729 registered holders of record.

The transfer agent for the Company’s common stock is:

Broadridge Corporate Issuer Solutions, Inc.

51 Mercedes Way

Edgewood, NY 11717

Investor Relations: +1 (800) 353-0103

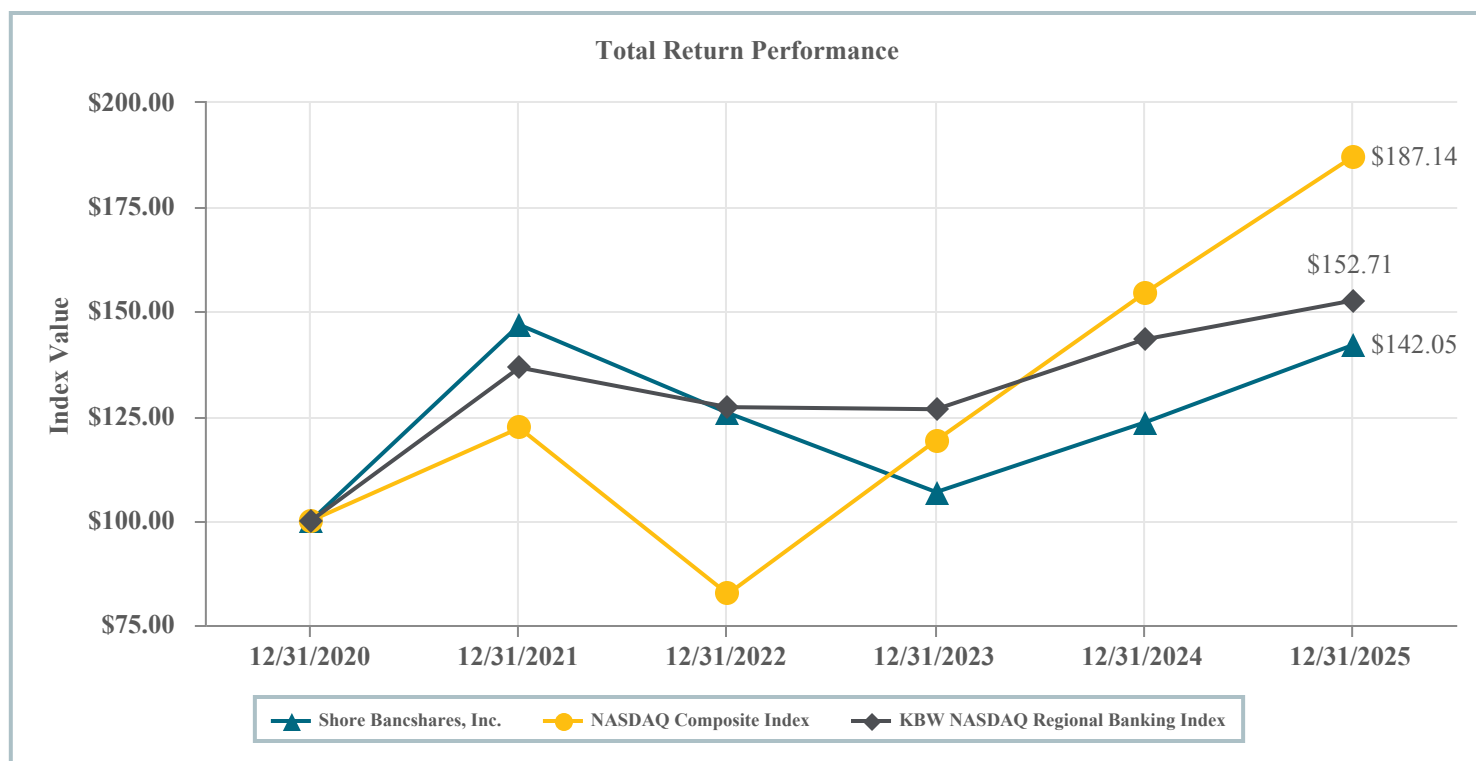
E-mail for investor inquiries: shareholder@broadridge.com

www.broadridge.com

Stock Performance Graph

The following graph and table show the cumulative total return on the common stock of the Company over the last five years, compared with the cumulative total return of a broad stock market index (the NASDAQ Composite Index), and a narrower index of the KBW NASDAQ Regional Banking Index. Cumulative total return on the stock or the index equals the total increase in value since December 31, 2020 assuming reinvestment of all dividends paid into the stock or the index.

The graph and table were prepared assuming that \$100 was invested on December 31, 2020, in the common stock and the securities included in the indexes.



Source: S&P Global Market Intelligence

Index	Period Ending					
	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025
Shore Bancshares, Inc.	\$ 100.00	\$ 146.88	\$ 125.79	\$ 106.83	\$ 123.49	\$ 142.05
NASDAQ Composite Index	100.00	122.18	82.43	119.22	154.48	187.14
KBW NASDAQ Regional Banking Index	100.00	136.64	127.17	126.67	143.39	152.71

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2025, with respect to options outstanding and shares available for future awards under the Company's active equity incentive plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	—	—	992,641
Equity compensation plans not approved by security holders	—	—	—
Total	—	—	992,641

UNREGISTERED SALES OF EQUITY SECURITIES AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's prior stock repurchase program expired on March 31, 2023. There were no purchases made by or on behalf of us or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our common stock during the fourth quarter of 2025.

Item 6. [RESERVED]

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion compares the Company’s financial condition at December 31, 2025 to its financial condition at December 31, 2024 and the results of operations for the years ended December 31, 2025 and 2024. This discussion should be read in conjunction with the consolidated financial statements and the notes thereto included in Part II, Item 8 of this Annual Report on Form 10-K.

The discussion comparing the Company’s financial condition at December 31, 2024 to its financial condition at December 31, 2023 and the results of operations for the years ended December 31, 2024 and 2023 that are not included in this Annual Report on Form 10-K can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

CRITICAL ACCOUNTING POLICIES

The Company’s consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and follow general practices within the industries in which it operates. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates, assumptions, and judgments are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates, assumptions, and judgments. Certain policies inherently have a greater reliance on the use of estimates, assumptions, and judgments and as such have a greater possibility of producing results that could be materially different than originally reported.

The Company’s most significant accounting policies are presented in Note 1 – “Summary of Significant Accounting Policies” in the “Notes to Consolidated Financial Statements” included in Part II, Item 8 of this Annual Report on Form 10-K. These policies, along with the disclosures presented in the notes to consolidated financial statements and in this management’s discussion and analysis of financial condition and results of operations, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, management has determined that the accounting policy for the allowance for credit losses (“ACL”) on loans is a critical accounting policy. This policy is considered critical because it relates to an accounting area that requires the most subjective or complex judgments, and, as such, could be most subject to revision as new information becomes available.

Allowance for Credit Losses on Loans

The ACL represents management’s best estimate of expected lifetime credit losses within the Company’s loan portfolio as of the balance sheet date. The ACL is established through a provision for credit losses and is increased by recoveries of loans previously charged off. Loan losses are charged against the allowance when management’s assessments confirm that the Company will not collect the full amortized cost basis of a loan. The calculation of expected credit losses is determined using a cash flow methodology, and includes considerations of historical experience, current conditions, and reasonable and supportable economic forecasts that may affect collection of the recorded balances. The Company assesses an ACL to groups of loans which share similar risk characteristics or on an individual basis, as deemed appropriate. Changes in the ACL on loans and the related provision for credit losses can materially affect financial results. Although the overall balance is determined based on specific portfolio segments and individually assessed assets, the entire balance is available to absorb credit losses for loans in the portfolio.

The determination of the appropriate level of the ACL on loans inherently involves a high degree of subjectivity and requires the Company to make significant judgments concerning credit risks and trends using quantitative and qualitative information, as well as reasonable and supportable forecasts of future economic conditions, all of which may undergo frequent and significant changes. Changes in conditions, including unforeseen events, changes in asset-specific risk characteristics, and other economic factors, both within and outside the Company’s control, may indicate the need for an increase or decrease in the ACL on loans. While management seeks to utilize the best information available in making its assessment of the ACL estimate, the estimation process is inherently challenging as potential changes in any one factor or input may occur at different rates and/or impact pools of loans in different ways. Further, changes in factors and inputs may also be directionally inconsistent, such that improvement in one factor may offset deterioration in others.

The Company’s management reviews the adequacy of the ACL on loans on at least a quarterly basis. Refer to Note 1 – “Summary of Significant Accounting Policies” in the “Notes to Consolidated Financial Statements” included in Part II, Item 8 of this Annual Report on Form 10-K for additional details concerning the determination of the ACL on loans.

RECENT ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

The notes to consolidated financial statements discuss the expected impact of accounting policies recently issued or proposed but not yet required to be adopted. To the extent the adoption of new accounting standards materially affects our financial condition, results of operations or liquidity, the impacts are discussed in the applicable section(s) of this discussion and notes to consolidated financial statements.

RESULTS OF OPERATIONS

Summary of Financial Results

The Company reported net income for the year ended December 31, 2025 of \$59.5 million, or \$1.78 diluted earnings per common share, compared to \$43.9 million, or \$1.32 diluted earnings per common share, for the year ended December 31, 2024. The Company's return on average assets, return on average common equity and return on average tangible common equity were 0.98%, 10.52% and 14.09%, respectively, for the year ended December 31, 2025, compared to 0.74%, 8.35% and 12.21%, respectively, for the year ended December 31, 2024. For additional details, see "Reconciliation of Non-GAAP Measures." The increase in net income in 2025 compared to 2024 was primarily due to higher net interest income ("NII") driven by loan growth in 2025 coupled with loans and deposits repricing favorably. These were partially offset by a higher provision for credit losses of \$3.6 million.

The following table presents selected consolidated statement of operations data for each of the periods indicated.

(\$ in thousands)	Year Ended December 31,		
	2025	2024	2023
Total interest income	\$ 310,028	\$ 295,338	\$ 214,079
Total interest expense	117,651	124,789	78,772
Net interest income	192,377	170,549	135,307
Provision for credit losses	8,375	4,738	30,953
NII after provision for credit losses	184,002	165,811	104,354
Total noninterest income	32,688	31,147	33,159
Total noninterest expense	138,035	138,254	123,329
Income before income taxes	78,655	58,704	14,184
Income tax expense	19,149	14,815	2,956
Net income	\$ 59,506	\$ 43,889	\$ 11,228

A comparison of key operating ratios and common share data for the years ended December 31, 2025, 2024 and 2023 is presented below.

	Year Ended December 31,		
	2025	2024	2023
KEY OPERATING RATIOS			
ROAA – GAAP	0.98 %	0.74 %	0.24 %
Adjusted ROAA – non-GAAP ⁽¹⁾	1.08	0.92	0.58
Return on average common equity ("ROACE") – GAAP	10.52	8.35	2.54
Return on average tangible common equity ("ROATCE") – non-GAAP ⁽²⁾	14.09	12.21	4.42
Average total equity to average total assets	9.28	8.92	9.47
Net interest spread	2.40	2.14	2.42
Net interest margin	3.36	3.10	3.11
Efficiency ratio – GAAP ⁽³⁾	61.33	68.55	73.21
Efficiency ratio – non-GAAP ⁽⁴⁾	57.43	61.43	61.62
Noninterest income to average assets	0.54	0.53	0.71
Noninterest expense to average assets	2.26	2.34	2.64
COMMON SHARE DATA			
Basic net income per common share	\$ 1.78	\$ 1.32	\$ 0.42
Diluted net income per common share	\$ 1.78	\$ 1.32	\$ 0.42
Cash dividends paid per common share	\$ 0.48	\$ 0.48	\$ 0.48
Common dividend payout ratio	26.97 %	36.36 %	114.29 %

- (1) ROAA – non-GAAP is computed by dividing (i) net income (excluding net of tax adjustments for the amortization of other intangible assets, credit card fraud losses and the sale and fair value of held for sale assets) by (ii) average assets.
- (2) ROATCE is computed by dividing net earnings applicable to common stockholders by average tangible common equity. ROATCE is a non-GAAP measure and may not be comparable to similar non-GAAP measures used by other companies. Refer to Use of Non-GAAP Financial Measures for additional details.
- (3) Efficiency ratio – GAAP is computed by dividing (i) noninterest expense by (ii) the sum of NII and noninterest income.
- (4) Efficiency ratio – non-GAAP is computed by dividing (i) noninterest expense less amortization of other intangible assets and credit card fraud losses by (ii) the sum of taxable-equivalent NII and noninterest income less the sale and the fair value of held for sale assets.

Net Interest Income

Tax-equivalent NII is NII adjusted for the tax-favored status of income from certain loans and investments. As shown in the table below, tax-equivalent NII increased \$21.8 million to \$192.7 million for the year ended December 31, 2025, compared to \$170.9 million for the year ended December 31, 2024. The increase in NII was primarily due to an increase in total interest income of \$14.7 million, or 5.0%, which included an increase in interest and fees on loans of \$11.0 million, or 4.1%, and an increase in interest on deposits with other banks of \$2.8 million, or 44.6%. The increase in interest and fees on loans was primarily due to the increase in the average balance of loans of \$130.3 million, or 2.8%, coupled with loans repricing favorably during the year. The decrease in total interest expense was primarily due to a decrease in interest on deposits of \$6.1 million and a decrease in interest expense on long-term borrowings of \$1.0 million. The decrease in expense on borrowings was related to lower FHLB advances in 2025.

The following table presents taxable-equivalent net interest income for each of the periods indicated.

(\$ in thousands)	Year Ended December 31,				
	2025	2024	2023	2025 vs. 2024	2024 vs. 2023
Interest and dividend income					
Loans, including fees	\$ 280,604	\$ 269,631	\$ 194,339	4.1 %	38.7 %
Interest and dividends on investment securities	20,402	19,468	16,970	4.8	14.7
Interest on deposits with banks	9,022	6,239	2,770	44.6	125.2
Total interest and dividend income	\$ 310,028	\$ 295,338	\$ 214,079	5.0	38.0
Interest expense					
Deposits	\$ 109,203	\$ 115,301	\$ 68,800	(5.3)%	67.6 %
Short-term borrowings	2,089	2,131	5,518	(2.0)	(61.4)
Long-term borrowings	6,359	7,357	4,454	(13.6)	65.2
Total interest expense	\$ 117,651	\$ 124,789	\$ 78,772	(5.7)	58.4
Taxable-equivalent adjustment	\$ 335	\$ 325	\$ 253	3.1 %	28.5 %
Taxable-equivalent net interest income	\$ 192,712	\$ 170,874	\$ 135,560	12.8 %	26.1 %

Average Balances and Yields

The following table presents the distribution of the average consolidated balance sheets, interest income, interest expense and annualized yields earned and rates paid for the years ended December 31, 2025, 2024 and 2023.

(\$ in thousands)	Year Ended December 31,								
	2025			2024			2023		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
Earning assets									
Loans ^{(1), (2), (3)}									
Commercial real estate	\$ 2,588,913	\$ 150,171	5.80 %	\$ 2,528,961	\$ 144,155	5.70 %	\$ 1,860,517	\$ 99,953	5.37 %
Residential real estate	1,394,073	76,708	5.50	1,318,500	72,636	5.51	981,473	50,244	5.12
Construction	349,097	22,809	6.53	322,978	19,917	6.17	284,238	15,123	5.32
Commercial	223,949	15,081	6.73	220,699	15,625	7.08	185,239	13,647	7.37
Consumer	291,789	15,697	5.38	324,633	16,923	5.21	324,444	15,298	4.72
Credit cards	5,648	467	8.27	7,444	694	9.32	3,147	315	10.00
Total loans	4,853,469	280,933	5.79	4,723,215	269,950	5.72	3,639,058	194,580	5.35
Investment securities									
Taxable	665,940	20,378	3.06	667,622	19,444	2.91	674,203	16,832	2.50
Tax-exempt ⁽¹⁾	651	30	4.61	657	30	4.57	663	58	8.75
Federal funds sold	—	—	—	—	—	—	1,899	92	4.84
Interest-bearing deposits	211,859	9,022	4.26	129,410	6,239	4.82	41,032	2,770	6.75
Total earning assets	5,731,919	\$ 310,363	5.41	5,520,904	\$ 295,663	5.36	4,356,855	\$ 214,332	4.92
Cash and due from banks	48,725			46,264			43,555		
Other assets	372,846			387,852			303,906		
Allowance for credit losses	(58,831)			(58,089)			(40,777)		
Total assets	\$ 6,094,659			\$ 5,896,931			\$ 4,663,539		
Interest-bearing liabilities									
Interest-bearing checking	\$ 759,395	\$ 23,265	3.06 %	\$ 825,773	\$ 25,523	3.09 %	\$ 883,976	\$ 20,134	2.28 %
Money market and savings deposits	1,761,503	38,245	2.17	1,690,905	41,202	2.44	1,275,088	20,039	1.57
Time deposits	1,255,797	47,391	3.77	1,205,411	48,566	4.03	770,370	25,708	3.34
Brokered deposits	7,927	302	3.81	12,636	10	0.08	56,101	2,919	5.20
Interest-bearing deposits ⁽⁴⁾	3,784,622	109,203	2.89	3,734,725	115,301	3.09	2,985,535	68,800	2.30
FHLB advances	43,068	2,089	4.85	70,298	3,720	5.29	111,392	5,518	4.95
Subordinated debt and Guaranteed preferred beneficial interest in junior subordinated debentures	81,828	6,359	7.77	72,907	5,768	7.91	57,708	4,454	7.72
Total interest-bearing liabilities	3,909,518	117,651	3.01	3,877,930	124,789	3.22	3,154,635	78,772	2.50
Noninterest-bearing deposits	1,577,271			1,454,087			1,043,479		
Accrued expenses and other liabilities	42,291			39,172			23,635		
Stockholders' equity	565,579			525,742			441,790		
Total liabilities and stockholders' equity	\$ 6,094,659			\$ 5,896,931			\$ 4,663,539		
Net interest spread									
			2.40 %			2.14 %			2.42 %
Net interest margin									
			3.36			3.10			3.11
Net interest margin excluding accretion ⁽³⁾									
			3.15			2.83			2.90
Cost of funds									
			2.14			2.34			1.88
Cost of deposits									
			2.04			2.22			1.71
Cost of debt									
			6.76			6.63			5.90

(1) All amounts are reported on a tax-equivalent basis computed using the statutory federal income tax rate of 21.0%, exclusive of nondeductible interest expense.

(2) Average loan balances include nonaccrual loans.

(3) Interest income on loans includes accreted loan fees, net of costs and accretion of discounts on acquired loans, which are included in the yield calculations. There were \$15.4 million, \$16.9 million and \$11.8 million of accretion interest on loans for the years ended December 31, 2025, 2024 and 2023, respectively.

(4) Interest expense on deposits and borrowings includes amortization of deposit discounts and amortization of borrowing fair value adjustments. There were \$2.2 million, \$1.5 million and \$1.8 million of amortization of deposit discounts and \$865 thousand, \$926 thousand and \$557 thousand of amortization of borrowing fair value adjustments for the years ended December 31, 2025, 2024 and 2023, respectively.

Rate and Volume Analysis

The following table presents changes in interest income and interest expense for the periods indicated. For each category of interest-earning asset and interest-bearing liability, information is provided on changes attributable to: (1) changes in volume (changes in volume multiplied by old rate) and (2) changes in rate (changes in rate multiplied by old volume). Changes in rate-volume (changes in rate multiplied by the change in volume) have been allocated to changes due to volume.

Year Ended December 31, 2025 Compared to the Year Ended December 31, 2024

<i>(\$ in thousands)</i>	Due to Volume	Due to Rate	Total
Interest income from earning assets:			
Loans			
Commercial real estate	\$ 3,487	\$ 2,529	\$ 6,016
Residential real estate	4,204	(132)	4,072
Construction	1,729	1,163	2,892
Commercial	228	(772)	(544)
Consumer	(1,778)	552	(1,226)
Credit cards	(149)	(78)	(227)
Taxable investment securities	(67)	1,001	934
Interest-bearing deposits	3,508	(725)	2,783
Total interest income	\$ 11,162	\$ 3,538	\$ 14,700
Interest-bearing liabilities:			
Interest-bearing checking deposits	\$ (2,010)	\$ (248)	\$ (2,258)
Money market and savings deposits	1,608	(4,565)	(2,957)
Time deposits	1,959	(3,134)	(1,175)
Brokered deposits	(179)	471	292
Advances from FHLB	(1,322)	(309)	(1,631)
Subordinated debt	693	(102)	591
Total interest-bearing liabilities	749	(7,887)	(7,138)
Net change in net interest income	\$ 10,413	\$ 11,425	\$ 21,838

Fluctuations in NII can result from the combination of changes in the average balances of asset and liability categories and changes in interest rates. Interest rates earned and paid are affected by general economic conditions, particularly changes in market interest rates, and by competitive factors, government policies and actions of regulatory authorities.

The Company's NIM increased from 3.10% for the year ended December 31, 2024 to 3.36% for the year ended December 31, 2025. Margins were higher due to a \$211.0 million increase in interest-earning asset balances and a 5 basis point increase in interest-earning asset yields. These positive movements were coupled with lower cost interest-bearing deposits. The increase in the average balances of interest-bearing deposits of \$49.9 million was offset by a 20 basis point decrease in the associated rates paid, as well as a \$27.2 million decrease in the average balance of FHLB advances and a 44 basis point decrease in the associated rates paid. Net accretion income impacted net interest margin by 21 basis points and 27 basis points for the years ended December 31, 2025 and 2024, respectively, which resulted in NIMs excluding accretion of 3.15% and 2.83% for the same periods.

Provision for Credit Losses ("PCL") and ACL

Refer to the discussion of the Bank's PCL and ACL in the asset quality discussion in the analysis of financial condition in this management's discussion and analysis of financial condition and results of operations.

Noninterest Income

Total noninterest income for the year ended December 31, 2025 was \$32.7 million, an increase of \$1.5 million, or 4.9%, when compared to the same period in 2024. The increase was primarily due to a \$631 thousand decrease in other noninterest income driven by one-time insurance proceeds, a \$344 thousand increase in interchange credits and a \$338 thousand increase in trust and investment fee income.

Noninterest Expense

Total noninterest expense was \$138.0 million for the year ended December 31, 2025, a decrease of \$219 thousand, or 0.2%, when compared to the same period in 2024. Noninterest expense line items decreased primarily due to the absence of the \$4.7 million credit card fraud event during the year ended December 31, 2024 and lower amortization of intangible assets of \$1.2 million, which was partially offset by higher salaries and employee benefit expenses of \$4.8 million and an increase of \$2.4 million of software and data processing expense in the year ended December 31, 2025. Noninterest expense as a percentage of average assets decreased to 2.26% for the year ended December 31, 2025 from 2.34% for the year ended December 31, 2024.

Income Taxes

The Company reported income tax expense of \$19.1 million and \$14.8 million for the years ended December 31, 2025 and 2024, respectively. The effective tax rates were 24.35% and 25.24% for the years ended December 31, 2025 and 2024, respectively. Deferred tax assets were \$29.8 million and \$31.9 million as of December 31, 2025 and 2024, respectively.

ANALYSIS OF FINANCIAL CONDITION

Balance Sheet Summary

Total assets were \$6.26 billion at December 31, 2025, an increase of \$28.1 million, or 0.5%, when compared to \$6.23 billion at December 31, 2024. The increase was primarily due to an increase in our loan portfolio of \$128.3 million and an increase in our investment securities portfolio of \$5.3 million, which were partially offset by a decrease in cash and cash equivalents of \$104.3 million. The decrease in cash and cash equivalents was primarily driven by loan growth. The ratio of the ACL as a percentage of loans was 1.20% and 1.21% at December 31, 2025 and 2024, respectively.

Cash and Cash Equivalents

Cash and cash equivalents totaled \$355.6 million at December 31, 2025, compared to \$459.9 million at December 31, 2024. Total cash and cash equivalents fluctuate due to transactions in process and other liquidity demands. Management believes liquidity needs are satisfied by the current balance of cash and cash equivalents, readily available access to traditional and wholesale funding sources, and the portions of the investment and loan portfolios that mature within one year.

Investment Securities

The investment portfolio includes debt and equity securities. Debt securities are classified as either AFS or HTM. AFS investment securities are stated at estimated fair value based on market prices. They represent securities which may be sold as part of the asset/liability management strategy or in response to changing interest rates. Net unrealized holding gains and losses on these securities are reported net of related income taxes as accumulated other comprehensive income (“AOCI”) (loss), a separate component of stockholders’ equity. Investment securities in the HTM category are stated at cost adjusted for amortization of premiums and accretion of discounts and the ACL. We have the intent and ability to hold such securities until maturity. At December 31, 2025, 34.7% of the portfolio of debt securities was classified as AFS and 65.3% was classified as HTM, compared to 23.7% and 76.3%, respectively, at December 31, 2024. See Note 2 – “Investment Securities” in the “Notes to Consolidated Financial Statements” included in Part II, Item 8 of this Annual Report on Form 10-K for additional details on the composition of the investment portfolio.

Investment securities, including restricted stock and equity securities, totaled \$659.4 million at December 31, 2025, an increase of \$3.0 million, or 0.5%, compared to \$656.4 million at December 31, 2024. At December 31, 2025, AFS securities, carried at fair value, totaled \$220.4 million, compared to \$149.2 million at December 31, 2024. At December 31, 2025, AFS securities consisted of 88.5% mortgage-backed, 9.4% U.S. government agencies and 2.1% corporate bonds, compared to 82.0%, 13.5% and 4.4%, respectively, at December 31, 2024. At December 31, 2025, the gross unrealized losses on AFS securities were all related to changes in interest rates and were \$7.1 million, or less than 1% of total assets and 2% of total stockholders’ equity. At December 31, 2025, the AOCI (loss) was \$4.6 million, compared to \$7.5 million at December 31, 2024.

At December 31, 2025, HTM securities, carried at amortized cost, totaled \$414.8 million, compared to \$481.1 million at December 31, 2024. At December 31, 2025, HTM securities consisted of 73.1% mortgage-backed, 25.3% U.S. government agency securities and 1.7% other debt securities, compared to 70.0%, 27.6% and 2.5%, respectively, at December 31, 2024.

At December 31, 2025 and 2024, 98.2% and 97.1%, respectively, of the Bank’s carrying value of its investment portfolio consisted of securities issued or guaranteed by U.S. government agencies or government-sponsored agencies.

The following tables set forth the weighted-average yields by maturity category of the bond investment portfolio as of December 31, 2025.

(\$ in thousands)	Under 1 Year		1 - 5 Years		5 - 10 Years		Over 10 Years		Total Investment Securities	
	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Fair Value
December 31, 2025										
Available for sale										
U.S. Treasury and government agency securities	\$ 2,461	3.68 %	\$ 19,498	1.23 %	\$ 92	7.28 %	\$ 252	3.15 %	\$ 22,303	\$ 20,616
Mortgage-backed securities	33	1.75	28,805	4.60	10,431	2.61	160,836	3.95	200,105	195,027
Other debt securities	—	—	1,832	9.33	2,437	7.72	—	—	4,269	4,715
Total available for sale	\$ 2,494	3.66 %	\$ 50,135	3.46 %	\$ 12,960	3.61 %	\$ 161,088	3.95 %	\$ 226,677	\$ 220,358

(\$ in thousands)	Under 1 Year		1 - 5 Years		5 - 10 Years		Over 10 Years		Total Investment Securities	
	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Fair Value
December 31, 2025										
Held to maturity										
U.S. Treasury and government agencies	\$ 32,564	2.40 %	\$ 62,283	1.51 %	\$ 340	2.16 %	\$ 9,649	2.51 %	\$ 104,836	\$ 100,325
Mortgage-backed securities	—	—	15,413	3.72	24,199	2.46	263,517	2.35	303,129	271,217
Other debt securities	—	—	1,313	7.24	5,148	4.47	500	4.86	6,961	6,574
Total held to maturity	\$ 32,564	2.40 %	\$ 79,009	2.03 %	\$ 29,687	2.81 %	\$ 273,666	2.36 %	\$ 414,926	\$ 378,116

Credit Quality Information

The Company monitors the credit quality of HTM securities through credit ratings provided by Standard & Poor's Rating Services and Moody's Investor Services. Credit ratings express opinions about the credit quality of a security and are updated at each quarter end. Investment grade securities are rated BBB- or higher by S&P and Baa3 or higher by Moody's and are generally considered by the rating agencies and market participants to be of low credit risk. Conversely, securities rated below investment grade, which are labeled as speculative grade by the rating agencies, are considered to have distinctively higher credit risk than investment grade securities. There were no speculative grade HTM securities at December 31, 2025 or 2024. HTM securities that are not rated are agency mortgage-backed securities sponsored by U.S. government agencies, as well as direct obligations of the agencies, with the remainder being sub-debt of other banks.

The following tables present the amortized cost of HTM securities based on their lowest publicly available credit rating as of December 31, 2025 and 2024.

(\$ in thousands)	December 31, 2025						
	Investment Grade						
	Aaa	Aa1	A3	Baa1	Baa2	NR	Total
U.S. Treasury and government agency securities	\$ 5,399	\$ 99,437	\$ —	\$ —	\$ —	\$ —	\$ 104,836
Mortgage-backed securities	303,129	—	—	—	—	—	303,129
Other debt securities	—	1,461	2,000	1,000	500	2,000	6,961
Total held to maturity securities	\$ 308,528	\$ 100,898	\$ 2,000	\$ 1,000	\$ 500	\$ 2,000	\$ 414,926

(\$ in thousands)	December 31, 2024						
	Investment Grade						
	Aaa	Aa1	A3	Baa1	Baa2	NR	Total
U.S. Treasury and government agency securities	\$ 132,560	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 132,560
Mortgage-backed securities	336,755	—	—	—	—	—	336,755
Other debt securities	—	1,465	4,000	4,000	500	2,000	11,965
Total held to maturity securities	\$ 469,315	\$ 1,465	\$ 4,000	\$ 4,000	\$ 500	\$ 2,000	\$ 481,280

Loans Held for Sale

The Company originates residential mortgage loans for sale on the secondary market, which are recorded at fair value. At December 31, 2025 and 2024, the fair value of loans held for sale amounted to \$32.5 million and \$19.6 million, respectively. The Bank makes certain representations to purchasers in the sale of mortgage loans related to loan ownership, loan compliance and legality, and accurate documentation. If a loan is found to be out of compliance with any of the representations subsequent to the date of purchase, the Bank may be required to repurchase the loan or indemnify the purchaser. During the year ended December 31, 2025, the Bank repurchased two loans with an aggregate value of \$938 thousand. No loans were repurchased during the year ended December 31, 2024.

Loans Held for Investment

The following table summarizes the Company's loan portfolio at December 31, 2025 and 2024.

<i>(\$ in thousands)</i>	December 31, 2025	% of Total Loans	December 31, 2024	% of Total Loans	\$ Change	% Change
Commercial real estate	\$ 2,643,996	53.95 %	\$ 2,557,806	53.60 %	\$ 86,190	3.40 %
Residential real estate	1,414,964	28.88	1,329,406	27.85	85,558	6.40
Construction	344,903	7.04	335,999	7.04	8,904	2.70
Commercial	226,006	4.61	237,932	4.99	(11,926)	(5.00)
Consumer	265,912	5.43	303,746	6.37	(37,834)	(12.50)
Credit cards	4,521	0.09	7,099	0.15	(2,578)	(36.30)
Total loans	4,900,302	100.00 %	4,771,988	100.00 %	128,314	2.70
Less: allowance for credit losses	(58,836)		(57,910)		(926)	1.60
Total loans, net	\$ 4,841,466		\$ 4,714,078		\$ 127,388	2.70

CRE Loan Portfolio

Our loan portfolio has a CRE loan concentration, which is generally defined as a combination of certain construction and CRE loans. The federal banking regulators have issued guidance for those institutions which are deemed to have concentrations in CRE lending. Pursuant to the supervisory criteria contained in the guidance for identifying institutions with a potential CRE concentration risk, institutions which have (1) total reported loans for construction, land development, and other land acquisitions which represent 100% or more of an institution's total risk-based capital; or (2) total non-owner occupied CRE loans representing 300% or more of the institution's total risk-based capital and the institution's non-owner occupied CRE loan portfolio (including construction) has increased 50% or more during the prior 36 months are identified as having potential CRE concentration risk. Institutions which are deemed to have concentrations in CRE lending are expected to employ heightened levels of risk management with respect to their CRE portfolios and may be required to hold higher levels of capital. The Bank has a concentration in CRE loans, and experienced significant growth in its CRE portfolio with its acquisition of TCFC and its wholly-owned subsidiary, CBTC. Non-owner occupied CRE loans including construction totaled \$2.15 billion and \$2.08 billion at December 31, 2025 and 2024, respectively, and as a percentage of the Bank's Tier 1 Capital plus ACL were 342.55% and 359.52%, respectively.

Management has extensive experience in CRE lending and has implemented and continues to maintain heightened risk management procedures, as well as strong underwriting criteria with respect to its CRE portfolio. Monitoring practices are part of the Bank's credit and risk departments' annual test plans and are adjusted as needed on a quarterly basis if external or internal conditions merit changes. The Bank's CRE monitoring plans include stress testing analysis to evaluate changes in collateral values and changes in cash flow debt service coverage ratios as a result of increasing interest rates or declines in customer net operating revenues. We may be required to maintain higher levels of capital as a result of our CRE concentrations, which could require us to obtain additional capital, or be required to sell/participate portions of loans, either of which may adversely affect shareholder returns.

Non-Owner Occupied CRE Loans

<i>(\$ in thousands)</i>	December 31, 2025			
	Amount	Average Loan Size	% of Non-Owner Occupied CRE Loans	% of Total Portfolio Loans, Gross
Loan type:				
Retail	\$ 490,093	\$ 2,539	22.8 %	10.0 %
Office	362,118	1,548	16.8	7.4
Multifamily (5+ units)	289,727	2,476	13.5	5.9
Industrial/warehouse	195,938	1,473	9.1	4.0
1-4 family dwelling	201,468	550	9.4	4.1
Motel/hotel	196,211	4,088	9.1	4.0
Other ⁽¹⁾	415,736	696	19.3	8.5
Total non-owner occupied CRE loans ⁽²⁾	2,151,291	1,274	100.0 %	43.9 %
Total portfolio loans, gross ⁽³⁾	\$ 4,900,302			

(1) Other non-owner occupied CRE loans include commercial – improved loans of \$164.4 million, lot/land loans of \$82.4 million, self storage loans of \$71.9 million and other loans \$97.0 million.

- (2) The balances for the non-owner occupied CRE portfolio as of December 31, 2025, as presented in this table, coincide with our internal evaluation of risk for the purpose of monitoring loan concentrations in accordance with internal and regulatory guidelines.
- (3) Excludes loans held for sale of \$32.5 million.

Owner Occupied CRE Loans

(\$ in thousands)	December 31, 2025			
	Amount	Average Loan Size	% of Owner Occupied CRE Loans	% of Total Portfolio Loans, Gross
Loan type:				
Commercial – improved	\$ 217,092	\$ 1,186	28.0 %	4.4 %
Office	123,822	501	16.0	2.5
Industrial/warehouse	94,538	657	12.2	1.9
Retail	64,988	596	8.4	1.3
Restaurant	55,149	985	7.1	1.1
Other ⁽¹⁾	218,928	1,216	28.3	4.6
Total owner occupied CRE loans	774,517	843	100.0 %	15.8 %
Total portfolio loans, gross ⁽²⁾	\$ 4,900,302			

(1) Other owner occupied CRE loans include church loans of \$59.7 million, marina/boat slip loans of \$38.8 million, fire/EMS building loans of \$38.3 million and other loans \$82.0 million.

(2) Excludes loans held for sale of \$32.5 million.

Office CRE Loan Portfolio

The Bank's office CRE loan portfolio, which includes owner occupied and non-owner occupied CRE loans, was \$485.9 million, or 9.9% of total loans of \$4.90 billion at December 31, 2025. The Bank's office CRE loan portfolio included \$129.1 million, or 26.6% of total office CRE loans, with medical tenants, and \$51.5 million, or 10.6%, of total office CRE loans, with government or government contractor tenants. There were 481 loans in the office CRE loan portfolio with an average and median loan size of \$1.0 million and \$365 thousand, respectively. Loan-to-value ("LTV") estimates are less than 50% for \$170.5 million, or 35.0%, of the office CRE loan portfolio, and greater than 80% for \$9.1 million, or 1.9%, of the office CRE loan portfolio. LTV collateral values are based on the most recent appraisal, which varies from the initial loan boarding to interim credit reviews. LTV estimates for the office CRE loan portfolio are summarized in the table below and LTV collateral values are based on the most recent appraisal, which may vary from the appraised value at loan origination.

LTV Range (\$ in thousands)	Loan Count	Loan Balance	% of Office CRE
Less than or equal to 50%	244	\$ 170,536	35.0 %
Greater than 50% and less than or equal to 60%	73	114,510	23.6
Greater than 60% and less than or equal to 70%	92	149,203	30.7
Greater than 70% and less than or equal to 80%	58	42,608	8.8
Greater than 80%	14	9,083	1.9
Total	481	\$ 485,940	100.0 %

The Bank had 17 office CRE loans totaling \$166.1 million that were greater than \$5.0 million at December 31, 2025, compared to 18 office CRE loans totaling \$164.5 million at December 31, 2024. The increase in the loan balance of this portfolio segment was the result of addition of a new loan partially offset by normal amortization, the payoff of a \$5.6 million loan and the change in purpose of collateral of an \$11.8 million loan from office to school. For the office CRE portfolio, at December 31, 2025, the average loan debt-service coverage ratio was 1.7x and the average LTV was 47.6%. Of the office CRE portfolio balance, 80.5% are secured by properties in rural or suburban areas with limited exposure to metropolitan cities and 97.1% are secured by properties with five stories or less. Of the office CRE loans, \$45.0 million will mature and \$26.7 million will reprice prior to December 31, 2026. Of the office CRE loans, \$30.7 million are special mention or substandard. In the fourth quarter of 2025 there was a charge-off of \$2.6 million related to the office CRE portfolio. There were no other office CRE portfolio charge-offs during 2025.

Maturity of Loan Portfolio

The following table sets forth the maturities and interest rate sensitivity of the loan portfolio at December 31, 2025. Demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts are reported as maturing within one year.

<i>(\$ in thousands)</i>	Maturing Within One Year	Maturing After One But Within Five Years	Maturing After Five But Within 15 Years	Maturing After 15 Years	Total
Commercial real estate	\$ 262,754	\$ 815,971	\$ 753,021	\$ 812,250	\$ 2,643,996
Residential real estate	40,451	135,548	123,808	1,115,157	1,414,964
Construction	210,541	104,883	27,019	2,460	344,903
Commercial	72,112	74,778	64,327	14,789	226,006
Consumer	1,680	85,929	87,686	90,617	265,912
Credit cards	1,945	2,249	327	—	4,521
Total	\$ 589,483	\$ 1,219,358	\$ 1,056,188	\$ 2,035,273	\$ 4,900,302

Rate Terms:

Fixed-interest rate loans	\$ 420,188	\$ 1,028,990	\$ 597,394	\$ 297,736	\$ 2,344,308
Adjustable-interest rate loans	169,295	190,368	458,794	1,737,537	2,555,994
Total	\$ 589,483	\$ 1,219,358	\$ 1,056,188	\$ 2,035,273	\$ 4,900,302

Loans Related to Cannabis Business

Loan balances related to our cannabis business were \$86.2 million and \$82.6 million, or 1.76% and 1.73% of total gross loans, as of December 31, 2025 and 2024, respectively.

Asset Quality

ACL and Provision for Credit Losses

The following table presents the Company's general and specific allowances as a percentage of total portfolio loans at December 31, 2025 and 2024.

<i>(\$ in thousands)</i>	December 31, 2025	December 31, 2024
Specific allowance	\$ 1,056	\$ 1,350
General allowance	57,780	56,560
Total allowance for credit losses	<u>\$ 58,836</u>	<u>\$ 57,910</u>
Specific allowance to total gross loans	0.02 %	0.02 %
General allowance total gross loans	1.18	1.19
Allowance to total gross loans	<u>1.20 %</u>	<u>1.21 %</u>
Total gross loans	<u>\$ 4,900,302</u>	<u>\$ 4,771,988</u>

The ACL as a percentage of loans decreased to 1.20% at December 31, 2025, compared to 1.21% at December 31, 2024. At December 31, 2025, the Company's ACL increased \$926 thousand, or 1.60%, to \$58.8 million from \$57.9 million at December 31, 2024. The increase in the general allowance was primarily due to loan growth, partially offset by favorable economic conditions in 2025.

The Company recorded a provision for credit losses on loans of \$8.4 million for the year ended December 31, 2025 compared to \$4.7 million for the year ended December 31, 2024 primarily due to loan growth and net charge-offs, which amounted to \$6.6 million, or 0.14% of average loans, for the year ended December 31, 2025 compared to net charge-offs of \$4.1 million, or 0.09% of average loans, for the year ended December 31, 2024. The increase in charge-offs in 2025 was primarily due to the marine and CRE portfolio.

Management remains focused on its efforts to dispose of problem loans and to prudently charge-off nonperforming loans to enable the Company to maintain overall credit quality.

The following table allocates the ACL by loan portfolio category as of the dates indicated. The allocation of the ACL to each category is not necessarily indicative of future losses and does not restrict the use of the ACL to absorb losses in any category.

<i>(\$ in thousands)</i>	Year Ended					
	December 31, 2025			December 31, 2024		
	ACL Balance	Average Loan Balance ⁽¹⁾	% ⁽²⁾	ACL Balance	Average Loan Balance ⁽¹⁾	% ⁽²⁾
Commercial real estate	\$ 21,387	\$ 2,588,913	0.83 %	\$ 22,846	\$ 2,528,961	0.90 %
Residential real estate	22,510	1,367,452	1.65	21,776	1,297,096	1.68
Construction	5,968	349,097	1.71	2,854	322,978	0.88
Commercial	3,005	223,949	1.34	3,138	220,699	1.42
Consumer	5,767	291,789	1.98	6,889	324,633	2.12
Credit cards	199	5,648	3.52	407	7,444	5.47
Total	<u>\$ 58,836</u>	<u>\$ 4,826,848</u>	1.22	<u>\$ 57,910</u>	<u>\$ 4,701,811</u>	1.23

⁽¹⁾ Excludes loans held for sale.

⁽²⁾ ACL balance as a percent of average loan balance of each category.

The following table presents the net charge-offs or recoveries by average loan portfolio category for the year ended December 31, 2025 and 2024.

(\$ in thousands)	Year Ended								
	December 31, 2025			December 31, 2024			December 31, 2023		
	Net (Charge-offs) Recoveries	Average Loan Balance ⁽¹⁾	Net (Charge-off) Recovery %	Net (Charge-offs) Recoveries	Average Loan Balance ⁽¹⁾	Net (Charge-off) Recovery %	Net (Charge-offs) Recoveries	Average Loan Balance ⁽¹⁾	Net (Charge-off) Recovery %
Commercial real estate	\$ (2,671)	\$ 2,588,913	(0.10)%	\$ —	\$ 2,528,961	— %	\$ (1,326)	\$ 1,860,517	(0.07)%
Residential real estate	146	1,367,452	0.01	6	1,297,096	0.00	(75)	971,937	(0.01)
Construction	1	349,097	0.00	1	322,978	0.00	15	284,238	0.01
Commercial	(700)	223,949	(0.31)	(175)	220,699	(0.08)	(232)	185,239	(0.13)
Consumer ⁽²⁾	(2,891)	291,789	(0.99)	(3,329)	324,633	(1.03)	(290)	324,444	(0.09)
Credit cards	(532)	5,648	(9.42)	(575)	7,444	(7.72)	(111)	3,147	(3.53)
Total	\$ (6,647)	\$ 4,826,848	(0.14)	\$ (4,072)	\$ 4,701,811	(0.09)	\$ (2,019)	\$ 3,629,522	(0.06)

⁽¹⁾ Excludes loans held for sale.

⁽²⁾ Includes the marine portfolio.

Classified Assets

The following tables present the Company's classified assets by loan portfolio category at December 31, 2025 and 2024.

(\$ in thousands)	December 31, 2025			
	Classified Loans	Other Real Estate		Total Classified Assets
		Owned	Repossessed Assets	
Commercial real estate	\$ 40,677	\$ —	\$ —	\$ 40,677
Residential real estate	11,084	—	—	11,084
Construction	331	113	—	444
Commercial	4,255	—	—	4,255
Consumer	971	—	2,879	3,850
Credit cards	48	—	—	48
Total	\$ 57,366	\$ 113	\$ 2,879	\$ 60,358

(\$ in thousands)	December 31, 2024			
	Classified Loans	Other Real Estate		Total Classified Assets
		Owned	Repossessed Assets	
Commercial real estate	\$ 11,233	\$ —	\$ —	\$ 11,233
Residential real estate	8,407	—	—	8,407
Construction	360	179	—	539
Commercial	3,038	—	—	3,038
Consumer	1,473	—	3,315	4,788
Credit cards	168	—	—	168
Total	\$ 24,679	\$ 179	\$ 3,315	\$ 28,173

The following table presents the Company's total classified assets as a percentage of total assets and risk-based capital at December 31, 2025 and 2024.

	December 31, 2025	December 31, 2024
Total classified assets as a percentage of total assets	0.96 %	0.45 %
Total classified assets as a percentage of risk-based capital	9.14	4.77

Classified assets increased \$32.2 million to \$60.4 million, or 0.96% of total assets, at December 31, 2025, from \$28.2 million, or 0.45% of total assets, at December 31, 2024. Classified assets are substandard loans, repossessed assets and OREO. The increase was primarily due to several commercial non-owner occupied real estate loans, which were downgraded during the current year. All of these loans are well secured by collateral and required minimal individual reserves as of December 31, 2025.

Special Mention Loans

The following table presents the Company's special mention loans by loan portfolio category at December 31, 2025 and 2024.

<i>(\$ in thousands)</i>	December 31, 2025	December 31, 2024
Commercial real estate	\$ 52,347	\$ 30,641
Residential real estate	19,065	2,047
Commercial	1,318	830
Consumer	671	—
Total special mention loans	<u>\$ 73,401</u>	<u>\$ 33,518</u>

Special mention loans increased to \$73.4 million at December 31, 2025, from \$33.5 million at December 31, 2024. Increases in special mention loan categories were due to loans in the multifamily commercial real estate and residential loan portfolios. Management believes these assets are well collateralized and will continue to monitor their cash flows. The Company's risk rating process for classified loans is an important input into the Company's allowance methodology and ACL qualitative framework.

Nonperforming Assets

At December 31, 2025, nonperforming assets were \$43.2 million, an increase of \$18.4 million, or 74.25%, when compared to December 31, 2024. The increase in nonperforming assets was primarily due to the increase in commercial real estate and consumer nonaccrual loans, offset by a decrease in repossessed assets related to the marine portfolio. At December 31, 2025, the ratio of nonaccrual loans to total assets was 0.64%, an increase from 0.34% at December 31, 2024. The ratio of nonperforming assets to total assets at December 31, 2025 was 0.69% compared to 0.40% at December 31, 2024.

The following table summarizes our nonperforming assets for the years ended December 31, 2025 and 2024.

<i>(\$ in thousands)</i>	December 31, 2025	December 31, 2024
Nonperforming assets		
Nonaccrual loans	\$ 39,960	\$ 21,008
Total loans 90 days or more past due and still accruing	255	294
OREO	113	179
Repossessed assets	2,879	3,315
Total nonperforming assets	<u>\$ 43,207</u>	<u>\$ 24,796</u>

As a percent of total loans:

Nonaccrual loans	0.82 %	0.44 %
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As a percent of total loans and OREO:

Nonperforming assets	0.88 %	0.52 %
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As a percent of total assets:

Nonaccrual loans	0.64 %	0.34 %
Nonperforming assets	0.69	0.40

Off-Balance Sheet Credit Exposure Reserve

The Company's reserve for off-balance sheet credit exposure was \$2.0 million and \$1.1 million at December 31, 2025 and 2024, respectively. The Company monitors line of credit usage and did not see substantive increases in usage or expected usage during the year ended December 31, 2025. The Company will continue to monitor activity for potential increases in the off-balance sheet reserve in future quarters as customers use available liquidity.

Deposits

The following is a breakdown of the Company's deposit portfolio at December 31, 2025 and 2024:

(\$ in thousands)	December 31, 2025		December 31, 2024		\$ Change	% Change
	Balance	% of Total Deposits	Balance	% of Total Deposits		
Noninterest-bearing deposits	\$ 1,587,953	28.69 %	\$ 1,562,815	28.27 %	\$ 25,138	1.6 %
Interest-bearing deposits:						
Interest-bearing checking	852,585	15.41	978,076	17.69	(125,491)	(12.8)
Money market and savings	1,814,928	32.80	1,805,884	32.67	9,044	0.5
Time deposits	1,267,487	22.90	1,181,561	21.37	85,926	7.3
Brokered deposits	10,911	0.20	—	—	10,911	*
Total interest-bearing	3,945,911	71.31	3,965,521	71.73	(19,610)	(0.5)
Total deposits	\$ 5,533,864	100.00 %	\$ 5,528,336	100.00 %	\$ 5,528	0.1

* Not meaningful for comparative purposes

Total deposits increased \$5.5 million, to \$5.53 billion at December 31, 2025 when compared to December 31, 2024. The slight increase in total deposits was primarily due to an increase in time deposits of \$85.9 million, an increase in noninterest-bearing accounts of \$25.1 million, an increase in brokered deposits of \$10.9 million and an increase in money market and savings accounts of \$9.0 million. These increases were partially offset by a decrease in interest-bearing checking deposits of \$125.5 million. Core deposits, which exclude municipal deposits, increased by \$154.8 million, or 3.8%, during the same period, which was partially offset by volatility driven by a large client relationship.

Total estimated uninsured deposits were \$937.2 million, or 16.9% of total deposits, at December 31, 2025 and \$905.3 million, or 16.4% of total deposits, at December 31, 2024. At December 31, 2025, there were \$150.8 million included in uninsured deposits that the Bank secured using the market value of pledged collateral. The Bank's uninsured deposits, excluding the market value of pledged collateral, at December 31, 2025 were \$786.5 million, or 14.2% of total deposits.

For FDIC call reporting purposes, reciprocal deposits are classified as brokered deposits when they exceed 20% of a bank's liabilities or \$5 billion. Reciprocal deposits decreased \$128.4 million to \$1.52 billion at December 31, 2025, compared to \$1.65 billion at December 31, 2024. Reciprocal deposits as a percentage of the Bank's liabilities at December 31, 2025 and 2024 were 27.08% and 29.25%, respectively. For call reporting purposes, \$396.9 million of reciprocal deposits were considered brokered at December 31, 2025, compared to \$520.5 million at December 31, 2024.

The Bank is required to monitor large deposit relationships and concentration risks in accordance with regulatory guidance. This includes monitoring deposit concentrations and maintaining fund management policies and strategies that take into account potentially volatile concentrations and significant deposits that mature simultaneously. Regulatory guidance defines a large depositor as a customer or entity that owns or controls 2% or more of the Bank's total deposits. At December 31, 2025, the Bank had three local municipal customer deposit relationships that exceeded 2% of total deposits, totaling \$539.0 million, which represented 9.70% of total deposits of \$5.56 billion. At December 31, 2024, there were three customer deposit relationships that exceeded 2% of total deposits, totaling \$547.4 million, which represented 9.89% of total deposits of \$5.54 billion. Deposit balances related to the cannabis business were \$159.4 million and \$151.4 million, or 2.88% and 2.74% of total deposits, as of December 31, 2025 and 2024, respectively.

The Bank uses deposits primarily to fund loans and to purchase investment securities. Average total deposits increased from \$5.19 billion at December 31, 2024 to \$5.36 billion at December 31, 2025, an increase of \$173.1 million, or 3.34%.

The following table sets forth the average balances of deposits and percentage of each major category to total average deposits for the years ended December 31, 2025 and 2024.

(\$ in thousands)	December 31, 2025		December 31, 2024	
	Average Balance	%	Average Balance	%
Noninterest-bearing deposits	\$ 1,577,271	29.42 %	\$ 1,454,087	28.02 %
Interest-bearing deposits				
Interest-bearing checking	759,395	14.16	825,773	15.91
Money market and savings	1,761,503	32.85	1,690,905	32.60
Time deposits	1,255,797	23.42	1,205,411	23.23
Brokered deposits	7,927	0.15	12,636	0.24
Total interest-bearing	3,784,622	70.58	3,734,725	71.98
Total deposits	\$ 5,361,893	100.00 %	\$ 5,188,812	100.00 %

Average interest-bearing deposits for the year ended December 31, 2025 increased \$49.9 million, or 1.3%, compared to the year ended December 31, 2024. Average noninterest-bearing deposits increased \$123.2 million, or 8.5%, for the year ended December 31, 2025, compared to the year ended December 31, 2024. Deposits provided funding for approximately 93.54% and 93.98% of average earning assets for the years ended December 31, 2025 and 2024, respectively.

The following table sets forth the aggregate amount and maturity ranges of certificates of deposit with balances of \$250,000 or more as of December 31, 2025, as well as the portion that is uninsured.

(\$ in thousands)	December 31, 2025	
	Total	Uninsured
Three months or less	\$ 67,271	\$ 34,521
Over three through 6 months	136,892	62,642
Over 6 through 12 months	176,053	70,553
Over 12 months	23,290	8,790
Total	\$ 403,506	\$ 176,506

Note 7 – “Deposits” in the “Notes to Consolidated Financial Statements” included in Part II, Item 8 of this Annual Report on Form 10-K includes the scheduled contractual maturities of total certificates of deposit of \$1.27 billion at December 31, 2025.

Securities Sold Under Retail Repurchase Agreements

Securities sold under agreements to repurchase are issued in conjunction with cash management services for commercial depositors. There were no securities sold under retail purchase agreements at December 31, 2025 and 2024.

Wholesale Funding – Short-Term Borrowings

The Company borrows from the FHLB on a short-term basis to meet liquidity needs. There were no short-term borrowings outstanding as of December 31, 2025 and 2024.

The Company’s wholesale funding, which includes FHLB advances and brokered deposits, was \$10.9 million and \$50.0 million at December 31, 2025 and 2024, respectively. At December 31, 2025, the Company had \$10.9 million of brokered deposits and no FHLB advances or securities sold under agreements to repurchase or overnight borrowings from correspondent banks. At December 31, 2024, the Company had \$50.0 million in FHLB advances and no brokered deposits or securities sold under agreements to repurchase or overnight borrowings from correspondent banks.

Contractual Obligations

The Company has various contractual obligations that affect its cash flows and liquidity. Our operating leases are primarily related to branch premises and equipment. Purchase obligations arise from agreements to purchase goods and services that are enforceable and legally binding. Other contracts included in purchase obligations primarily consist of service agreements for various systems and applications supporting bank operations. For information regarding material contractual obligations, please see Note 5 – “Leases” and Note 21 – “Revenue Recognition” in the “Notes to Consolidated Financial Statements” included in Part II, Item 8 of this Annual Report on Form 10-K.

Long-Term Debt

The Company occasionally borrows from the FHLB to meet longer-term liquidity needs, specifically to fund loan growth when liquidity from deposit growth is not sufficient. The Company had no short or long-term borrowings with the FHLB as of December 31, 2025.

In November 2025, the Company issued \$60 million in subordinated debt maturing in 2035, carrying a fixed interest rate of 6.25% through November 2030. The proceeds were used to fully redeem two existing subordinated debt issuances totaling \$44.5 million.

As a result of the merger with Severn Bancorp, Inc., effective October 31, 2021, the Company assumed liability for Junior Subordinated Debt Securities due in 2035, which had an outstanding principal balance of \$20.6 million. The debt balances of \$19.0 million at December 31, 2025 and \$18.8 million at December 31, 2024 were presented net of fair value adjustments of \$1.7 million and \$1.8 million, respectively.

Additionally, as a result of the merger with The Community Financial Corporation in 2023, the Company assumed liability for Junior Subordinated Debt Securities with an outstanding principal balance of \$12.4 million. The debt balances of \$11.2 million and \$11.1 million were presented net of fair value adjustments of \$1.2 million and \$1.3 million at December 31, 2025 and 2024, respectively.

For additional information regarding long-term debt, refer to Note 8 – “Borrowings” in the “Notes to Consolidated Financial Statements” included in Part II, Item 8 of this Annual Report on Form 10-K.

Stockholders' Equity

Total stockholders' equity increased \$48.8 million, or 9.0%, to \$589.9 million at December 31, 2025 when compared to December 31, 2024, primarily due to \$59.5 million of net income and a decrease in accumulated other comprehensive loss of \$3.0 million, partially offset by dividends declared of \$16.1 million.

<i>(\$ in thousands, except per share amounts)</i>	December 31, 2025	December 31, 2024	\$ Change	% Change
Common stock, \$0.01 par value per share	\$ 334	\$ 333	\$ 1	0.3 %
Additional paid-in capital	360,554	358,112	2,442	0.7
Retained earnings	233,578	190,166	43,412	22.8
Accumulated other comprehensive loss	(4,593)	(7,545)	2,952	(39.1)
Total stockholders' equity	\$ 589,873	\$ 541,066	\$ 48,807	9.0

We record unrealized holding gains (losses), net of tax, on available for sale investment securities as AOCI (loss), a separate component of stockholders' equity. At December 31, 2025 and 2024, the portion of the investment portfolio designated as “available for sale” had an unrealized holding loss, net of tax, of \$4.6 million and \$7.5 million, respectively.

LIQUIDITY

Liquidity is our ability to meet cash demands as they arise. Cash needs may come from loan demand, deposit withdrawals or acquisition opportunities. Potential obligations, resulting from the issuance of standby letters of credit and commitments to fund future borrowings to our loan customers, are other factors affecting our liquidity needs. Many of these obligations and commitments are expected to expire without being drawn upon; therefore, the total commitment amounts do not necessarily represent future cash requirements affecting our liquidity position.

Shore Bancshares' principal sources of liquidity are cash on hand and dividends received from the Bank. The Bank's most liquid assets are cash, cash equivalents and federal funds sold. The levels of such assets are dependent upon the Bank's operating, financing and investment activities at any given time. The variations in levels of cash and cash equivalents are influenced by deposit flows and anticipated future deposit flows. Customer deposits are considered the primary source of funds supporting the Bank's lending and investment activities.

Based on management's going concern evaluation, management believes that there are no conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year of the date of the issuance of the financial statements.

The Bank's principal sources of funds for investment and operations are net income, deposits, sales of loans, borrowings, principal and interest payments on loans, principal and interest received on investment securities and proceeds from the maturity and sale of investment securities. The Bank's principal funding commitments are for the origination or purchase of loans, the purchase of securities and the payment of maturing deposits.

The Bank's most liquid assets are cash, cash equivalents and federal funds sold. The levels of such assets are dependent on the Bank's operating, financing and investment activities at any given time. The variations in levels of cash and cash equivalents are influenced by deposit flows and anticipated future deposit flows.

Liquidity is provided by access to funding sources, which include core deposits and brokered deposits. Other sources of funds include our ability to borrow, such as purchasing federal funds from correspondent banks, sales of securities under agreements to repurchase and advances from the FHLB. The Bank uses wholesale funding (brokered deposits and other sources of funds) to supplement funding when loan growth exceeds core deposit growth and for asset-liability management purposes.

The Company derives liquidity through increased customer deposits, cash flow from the investment portfolio, loan repayments, borrowings and income from earning assets. The net decrease in cash and cash equivalents was \$104.3 million for the year ended December 31, 2025, compared to a net increase of \$87.4 million for the year ended December 31, 2024. The decrease in cash and cash equivalents in the year ended December 31, 2025 was mainly due to the decrease of \$21.8 million in interest-bearing deposits, paid off FHLB Advances of \$50.0 million, and redemption of subordinated debt of \$44.5 million, partially offset by an increase of \$25.1 million in noninterest-bearing deposits and issuance of new subordinated debt of \$58.9 million, net of subordinated debt issuance costs.

To the extent that deposits are not adequate to fund customer loan demand, liquidity needs can be met in the short-term funds markets. At December 31, 2025, the Bank had approximately \$1.42 billion of available liquidity, including \$355.6 million in cash and cash equivalents, \$314.5 million in unpledged securities and \$788.1 million in secured borrowing capacity at the FHLB of Atlanta, partially offset by a letter of credit of \$33.7 million. The Bank has arrangements with other correspondent banks whereby it has \$95.0 million available in federal funds lines of credit and a reverse repurchase agreement available to meet any short-term needs that may not otherwise be funded by the Bank's portfolio of readily marketable investments that can be converted to cash. Through the FHLB, the Bank had available lendable collateral of approximately \$788.1 million and \$743.6 million at December 31, 2025 and 2024, respectively. The Bank has pledged, under a blanket lien, all qualifying residential and commercial real estate loans under borrowing agreements with the FHLB of Atlanta. The following table presents the Company's liquidity in use and liquidity available as of December 31, 2025.

	December 31, 2025	
	Liquidity in Use	Liquidity Available
<i>(\$ in thousands)</i>		
FHLB secured borrowings ⁽¹⁾	\$ 33,667	\$ 788,080
Unsecured federal fund purchase lines	—	95,000
Unpledged assets		
Cash and cash equivalents	N/A	\$ 355,566
Investment securities	N/A	314,461
Total	\$ 33,667	\$ 1,553,107

⁽¹⁾ The Bank has pledged a portion of the commercial real estate and residential loan portfolio to the FHLB to secure the line of credit.

CAPITAL RESOURCES

The Bank and the Company are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank and the Company to maintain minimum ratios of common equity Tier 1 ("CET1"), Tier 1, and total capital as a percentage of assets and off-balance sheet exposures, adjusted for risk weights ranging from 0% to 12.50%. The Bank and Company are also required to maintain capital at a minimum level based on quarterly average assets, which is known as the leverage ratio. The Bank was deemed "well-capitalized" under applicable regulatory capital requirements at December 31, 2025.

The Company evaluates capital resources by the ability to maintain adequate regulatory capital ratios. The Company and the Bank annually update its strategic plan, which includes a three-year capital plan. In developing its plan, the Company considers the impact to capital of asset growth, loan concentrations, income accretion, dividends, holding company liquidity, investment in markets and people and stress testing.

As of December 31, 2025, the Bank and the Company were in compliance with all applicable regulatory capital requirements to which they were subject, and the Bank was classified as "well-capitalized" for purposes of the prompt corrective action regulations. The following tables present the applicable capital ratios for the Company and the Bank as of December 31, 2025 and 2024.

December 31, 2025	Tier 1 Leverage Ratio	Common Equity Tier 1 Ratio	Tier 1 Risk-Based Capital Ratio	Total Risk-Based Capital Ratio
The Company	8.82 %	10.52 %	11.15 %	13.61 %
The Bank	9.30	11.75	11.75	13.00

December 31, 2024	Tier 1 Leverage Ratio	Common Equity Tier 1 Ratio	Tier 1 Risk-Based Capital Ratio	Total Risk-Based Capital Ratio
The Company	8.02 %	9.44 %	10.06 %	12.18 %
The Bank	8.58	10.75	10.75	11.97

On February 18, 2026, the Company announced that its Board of Directors declared a cash dividend of \$0.12 per share, payable on March 18, 2026, to holders of record of shares of common stock as of March 4, 2026.

The Company has no business other than holding the stock of the Bank and does not currently have any material funding requirements, except for the payment of dividends on common stock, and the payment of interest on subordinated debentures and subordinated notes, and noninterest expense.

See Note 15 – "Regulatory Capital Requirements" in the "Notes to Consolidated Financial Statements" included in Part I, Item 1 of this Annual Report on Form 10-K for further information about the regulatory capital positions of the Bank and the Company. For information about risks relating to liquidity, see "Risk Factors" included in Part I, Item 1A of this Annual Report on Form 10-K.

USE OF NON-GAAP FINANCIAL MEASURES

Statements included in the Management's Discussion and Analysis of Financial Condition and Results of Operations include non-GAAP financial measures and should be read along with the accompanying tables, which provide a reconciliation of non-GAAP financial measures to GAAP financial measures. The Company's management uses these non-GAAP financial measures and believes that non-GAAP financial measures provide additional useful information that allows readers to evaluate the ongoing performance of the Company. Non-GAAP financial measures should not be considered as an alternative to any measure of performance or financial condition as promulgated under GAAP, and investors should consider the Company's performance and financial condition as reported under GAAP and all other relevant information when assessing the performance or financial condition of the Company. Non-GAAP financial measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the results or financial condition as reported under GAAP. See non-GAAP reconciliation schedules that immediately follow.

Reconciliation of Non-GAAP Measures

This Annual Report on Form 10-K, including the accompanying financial statement tables, contains financial information determined by methods other than in accordance with GAAP. This financial information includes certain performance measures, which exclude intangible assets. These non-GAAP measures are included because the Company believes they may provide useful supplemental information for evaluating the underlying performance trends of the Company.

<i>(\$ in thousands, except per share amounts)</i>	December 31, 2025	December 31, 2024
Total assets	\$ 6,258,818	\$ 6,230,763
Less: intangible assets		
Goodwill	63,266	63,266
Core deposit intangibles	29,722	38,311
Total intangible assets	92,988	101,577
Tangible assets	\$ 6,165,830	\$ 6,129,186
Total common equity	\$ 589,873	\$ 541,066
Less: intangible assets	92,988	101,577
Tangible common equity	\$ 496,885	\$ 439,489
Common shares outstanding at end of period	33,413,503	33,332,177
Common equity to assets	9.42 %	8.68 %
Tangible common equity to tangible assets	8.06	7.17
Common book value per share	\$ 17.65	\$ 16.23
Tangible common book value per share	14.87	13.19

Return on Average Common Equity

ROACE is a financial ratio that measures the profitability of a company in relation to the average stockholders' equity. This financial metric is expressed in the form of a percentage which is equal to net income divided by the average stockholders' equity for a specific period of time.

(\$ in thousands)	Year Ended December 31,		
	2025	2024	2023
Net income	\$ 59,506	\$ 43,889	\$ 11,228
ROACE	10.52 %	8.35 %	2.54 %
Average stockholders' equity	\$ 565,579	\$ 525,742	\$ 441,790

Return on Average Tangible Common Equity

ROATCE is computed by dividing net earnings applicable to common stockholders by average tangible common equity. Management believes that ROATCE is meaningful because it measures the performance of a business consistently, whether acquired or internally-developed. ROATCE is a non-GAAP measure and may not be comparable to similar non-GAAP measures used by other companies.

(\$ in thousands)	Year Ended December 31,		
	2025	2024	2023
Net income	\$ 59,506	\$ 43,889	\$ 11,228
Add: amortization of other intangible assets, net of tax	6,498	7,311	4,254
Net income excluding amortization of other intangible assets – non-GAAP	\$ 66,004	\$ 51,200	\$ 15,482
ROATCE – non-GAAP	14.09 %	12.21 %	4.42 %
Average stockholders' equity	\$ 565,579	\$ 525,742	\$ 441,790
Less: Average goodwill and core deposit intangible	(97,201)	(106,409)	(91,471)
Average tangible common equity	\$ 468,378	\$ 419,333	\$ 350,319

Efficiency Ratio – Non-GAAP

Efficiency ratio – non-GAAP is computed by dividing (i) noninterest expense less amortization of other intangible assets and credit card fraud losses by (ii) the sum of taxable-equivalent NII and noninterest income less the sale and the fair value of held for sale assets, as applicable. Efficiency ratio – non-GAAP may not be comparable to similar non-GAAP measures used by other companies.

(\$ in thousands)	Year Ended December 31,		
	2025	2024	2023
Noninterest expense	\$ 138,035	\$ 138,254	\$ 123,329
Less: Amortization of other intangible assets	(8,589)	(9,779)	(6,105)
Less: Merger expenses	—	—	(17,356)
Less: Credit card fraud losses	—	(4,660)	—
Adjusted noninterest expense	<u>\$ 129,446</u>	<u>\$ 123,815</u>	<u>\$ 99,868</u>
Efficiency ratio – non-GAAP	57.43 %	61.43 %	61.62 %
Net interest income	\$ 192,377	\$ 170,549	\$ 135,307
Add: Taxable-equivalent adjustment	335	325	253
Taxable-equivalent net interest income	<u>\$ 192,712</u>	<u>\$ 170,874</u>	<u>\$ 135,560</u>
Noninterest income	\$ 32,688	\$ 31,147	\$ 33,159
Investment securities losses (gains)	—	—	2,166
Less: Bargain purchase gain	—	—	(8,816)
Less: Sale and fair value of held for sale assets	—	(450)	—
Adjusted noninterest income	<u>\$ 32,688</u>	<u>\$ 30,697</u>	<u>\$ 26,509</u>

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk is defined as the exposure to changes in NII and capital that arises from movements in interest rates. Depending on the composition of the balance sheet, increasing or decreasing interest rates can negatively affect the Company's results of operations and financial condition.

The Company measures interest rate risk over the short and long term. The Company measures interest rate risk as the change in NII caused by a change in interest rates over twelve and twenty-four months. The Company's NII simulations provide information about short-term interest rate risk exposure. The Company also measures interest rate risk by measuring changes in the values of assets and liabilities due to changes in interest rates. The economic value of equity is defined as the present value of future cash flows from existing assets, minus the present value of future cash flows from existing liabilities. Economic value of equity simulations reflect the interest rate sensitivity of assets and liabilities over a longer time period, considering the maturities, average life and duration of all balance sheet accounts.

The Company's net income is largely dependent on its NII. NII is susceptible to interest rate risk to the extent that interest-bearing liabilities mature or re-price on a different basis than interest-earning assets. When interest-bearing liabilities mature or re-price more quickly than interest-earning assets in a given period, a significant increase in market rates of interest could adversely affect NII. Similarly, when interest-earning assets mature or re-price more quickly than interest-bearing liabilities, falling interest rates could result in a decrease in NII. NII is also affected by changes in the portion of interest-earning assets that are funded by interest-bearing liabilities rather than by other sources of funds, such as noninterest-bearing deposits and stockholders' equity.

The Company's interest rate risk management goals are to (1) increase NII at a growth rate consistent with the growth rate of total assets, and (2) minimize fluctuations in net interest margin as a percentage of interest-earning assets. Management attempts to achieve these goals by balancing, within policy limits, the volume of floating-rate liabilities with a similar volume of floating-rate assets; by keeping the average maturity of fixed-rate asset and liability contracts reasonably matched; by maintaining a pool of administered core deposits; and by adjusting pricing rates to market conditions on a continuing basis.

The board of directors has approved the Company's interest rate risk policy and assigned oversight to the Board Risk Oversight Committee. The policy establishes limits on risk, which are quantitative measures of the percentage change in NII and economic value of equity resulting from changes in interest rates. Both NII and economic value of equity simulations assist in identifying, measuring, monitoring and controlling interest rate risk and along with mitigating strategies are used by management to maintain interest rate risk exposure within Board policy guidelines.

The Company's interest rate risk model uses assumptions that include factors such as call features, prepayment options and interest rate caps and floors included in investment and loan portfolio contracts. The interest rate risk model estimates the lives and interest rate sensitivity of the Company's non-maturity deposits. These assumptions have a significant effect on model results. The assumptions are developed primarily based upon historical behavior of Bank customers. The Company also considers industry and regional data in developing interest rate risk model assumptions. There are inherent limitations in the Company's interest rate risk model and underlying assumptions. When interest rates change, actual movements of interest-earning assets and interest-bearing liabilities, loan prepayments, and withdrawals of time and other deposits, may deviate significantly from assumptions used in the model.

The Company prepares a current base case and several alternative simulations at least quarterly. Current interest rates are shocked by +/- 100, 200, 300, basis points and 400 basis points. In addition, the Company simulates additional rate curve scenarios. The Company may elect not to use particular scenarios that it determines are impractical in a current rate environment.

The Company's internal limits for parallel shock scenarios are as follows:

Shock in Basis Points	Net Interest Income	Economic Balance of Equity
+/- 400	- 25%	- 40%
+/- 300	- 20%	- 30%
+/- 200	- 15%	- 20%
+/- 100	- 10%	- 10%

It is management's goal to manage the Bank's portfolios so that NII at risk over 12 and 24-month periods and the economic value of equity at risk do not exceed policy guidelines at the various interest rate shock levels.

As of December 31, 2025, the Company did not exceed any Board-approved limits for the percentage changes in NII or economic value of equity. As of December 31, 2024, the Company exceeded Board approved limits for the percentage change in economic value of equity in the interest rate shocks of -200 and -300 due to average lives and the low level of market rates on non-maturing deposit instruments.

Measures of NII at risk produced by simulation analysis are indicators of an institution's short-term performance in alternative rate environments.

The following schedule estimates the changes in NII over a 12-month period for parallel rate shocks for up 400, 300, 200 and 100, and down 100, 200 and 300 scenarios.

Estimated Changes in Net Interest Income

Change in Interest Rates:	+ 400 basis points	+ 300 basis points	+ 200 basis points	+ 100 basis points	- 100 basis points	- 200 basis points	- 300 basis points
Policy limit	- 25%	- 20%	- 15%	-10%	- 10%	- 15%	- 20%
December 31, 2025	(10.1)%	(7.5)%	(5.0)%	(2.5)%	1.8 %	1.8 %	0.9 %
December 31, 2024	(3.8)%	(2.4)%	(1.3)%	(0.5)%	(0.1)%	(2.1)%	(5.0)%

Measures of equity value at risk indicate the ongoing economic value of the Company by considering the effects of changes in interest rates on all of the Company's cash flows, and by discounting the cash flows to estimate the present value of assets and liabilities.

The following schedule estimates the changes in the economic value of equity over a 12-month period for parallel shocks for up 400, 300, 200 and 100, and down 100, 200 and 300 scenarios.

Estimated Changes in Economic Value of Equity

Change in Interest Rates:	+ 400 basis points	+ 300 basis points	+ 200 basis points	+ 100 basis points	- 100 basis points	- 200 basis points	- 300 basis points
Policy limit	- 40%	- 30%	- 20%	- 10%	- 10%	- 20%	- 30%
December 31, 2025	4.4 %	5.1 %	4.8 %	3.3 %	(5.4)%	(13.6)%	(25.5)%
December 31, 2024	15.2 %	14.2 %	11.7 %	7.2 %	(10.0)%	(24.2)%	(43.6)%

As with any method of measuring interest rate risk, certain shortcomings are inherent in the method of analysis presented in the foregoing tables. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable rate mortgage loans, have features which restrict changes in interest rates on a short-term basis and over the life of the asset. Further, if interest rates change, expected rates of prepayments on loans and early withdrawals from certificates of deposit could deviate significantly from those assumed in calculating the tables.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Shore Bancshares, Inc. (the “Company”) is responsible for the preparation, integrity and fair presentation of the financial statements included in this Annual Report. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and reflect management’s judgments and estimates concerning the effects of events and transactions that are accounted for or disclosed.

Management is also responsible for establishing and maintaining effective internal control over financial reporting. The Company’s internal control over financial reporting includes those policies and procedures that pertain to the Company’s ability to record, process, summarize and report reliable financial data. The internal control system contains monitoring mechanisms, and appropriate actions taken to correct identified deficiencies. Management believes that internal controls over financial reporting, which are subject to scrutiny by management and the Company’s internal auditors, support the integrity and reliability of the financial statements. Management recognizes that there are inherent limitations in the effectiveness of any internal control system, including the possibility of human error and the circumvention or overriding of internal controls. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. In addition, because of changes in conditions and circumstances, the effectiveness of internal control over financial reporting may vary over time. The Audit Committee of the board of directors (the “Committee”), is comprised entirely of outside directors who are independent of management. The Committee is responsible for the appointment and compensation of the independent auditors and makes decisions regarding the appointment or removal of members of the internal audit function. The Committee meets periodically with management, the independent auditors, and the internal auditors to ensure that they are carrying out their responsibilities. The Committee is also responsible for performing an oversight role by reviewing and monitoring the financial, accounting, and auditing procedures of the Company in addition to reviewing the Company’s financial reports. The independent auditors and the internal auditors have full and unlimited access to the Committee, with or without the presence of management, to discuss the adequacy of internal control over financial reporting, and any other matters which they believe should be brought to the attention of the Committee.

Management assessed the Company’s system of internal control over financial reporting as of December 31, 2025. This assessment was conducted based on the Committee of Sponsoring Organizations of the Treadway Commission “Internal Control – Integrated Framework (2013).” Based on this assessment, management concluded that the Company’s internal control over financial reporting was effective as of December 31, 2025.

There were no other changes in the Company’s internal control over financial reporting (as defined in Rule 13a-15 under the Securities Act of 1934) during the quarter ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

The 2025 financial statements have been audited by the independent registered public accounting firm of Crowe LLP (“Crowe”). Personnel from Crowe were given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and committees thereof. Management believes that all representations made to all the independent auditors were valid and appropriate. The resulting report from Crowe accompanies the financial statements. Crowe has also issued a report on the effectiveness of internal control over financial reporting. This report has also been made a part of this Annual Report on Form 10-K.

/s/ James M. Burke

James M. Burke

President and Chief Executive Officer
(Principal Executive Officer)

March 2, 2026

/s/ Charles S. Cullum

Charles S. Cullum

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

March 2, 2026

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (PCAOB ID 173)

Stockholders and the Board of Directors
Shore Bancshares, Inc.
Easton, Maryland

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheet of Shore Bancshares, Inc. (the “Company”) as of December 31, 2025 and 2024, and the related consolidated statement of income, comprehensive income, changes in stockholders’ equity, and cash flows for each of the years in the two-year period ended December 31, 2025, and the related notes (collectively referred to as the “financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2025, based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2025 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

Basis for Opinions

The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the Audit Committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses – Economic Imprecision Qualitative Factor

As described in Note 1 to the financial statements, the Company accounts for credit losses under ASC 326, *Financial Instruments – Credit Losses*. ASC 326 requires the measurement of expected lifetime credit losses for financial assets measured at amortized cost at the reporting date. As of December 31, 2025, the balance of the allowance for credit losses (“ACL”) on loans was \$58.8 million.

The Company’s methodology for estimating the amount reported in the ACL includes an allowance assessed on a collective basis for pools of loans that share similar risk characteristics, which are evaluated collectively using a cash flow approach which includes loan-level cash flow projections and pool-level assumptions and incorporates a reasonable and supportable forecast. Management’s estimate of the ACL on loans that are collectively evaluated also includes a qualitative assessment of available information relevant to assessing collectability that is not captured in the quantitative loss estimation process. Qualitative factors considered by management include concentrations of loans to specific industry segments; the volume and severity of delinquencies and adversely classified loan balances and the value of underlying collateral, and the probability of the near-term recession and its impacts on estimated losses that is captured through an economic imprecision factor. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

We identified auditing the economic imprecision qualitative factor of the ACL as a critical audit matter because the methodology to determine the estimate of credit losses uses subjective judgments by management and is subject to material variability. Performing audit procedures to evaluate the economic imprecision qualitative factor involved a high degree of auditor judgment, subjectivity and required significant effort, including the need to involve more experienced audit personnel.

The primary procedures we performed to address this critical audit matter included:

- Testing the effectiveness of controls over the evaluation of the qualitative factor assessments, particularly the economic imprecision factor, used in the ACL on collectively evaluated loans, including controls addressing:
 - Methodology and accounting policies related to the qualitative factors
 - Data inputs, calculations, and judgments used to determine the qualitative factors
 - Management’s output review of the ACL inclusive of qualitative factors
- Substantively testing management’s process, including evaluating their judgments and assumptions, for developing the economic imprecision qualitative factor of the ACL which is applied to loans which are collectively evaluated, which included:
 - Evaluation of the reasonableness of the Company’s accounting policies, judgments, and elections related to the economic imprecision qualitative factor
 - Testing the accuracy of key inputs and calculations used to determine the economic imprecision qualitative factor
 - Evaluation of the reasonableness of management’s judgments and assumptions related to the economic imprecision qualitative factor to determine if it is calculated in conformity with management’s policies and was consistently applied period over period.

/s/ Crowe LLP

We have served as the Company’s auditor since 2024.

Livingston, New Jersey
March 2, 2026

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (PCAOB ID 613)

To the Stockholders and the Board of Directors of Shore Bancshares, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows, of Shore Bancshares, Inc. and its subsidiaries (the Company) for the year ended December 31, 2023, and the related notes (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the results of its operations and its cash flows for the year ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Yount, Hyde & Barbour, P.C.

We served as the Company's auditor from 2017 to 2024.

Winchester, Virginia

March 15, 2024

SHORE BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS

(\$ in thousands, except per share data)

	December 31, 2025	December 31, 2024
ASSETS		
Cash and due from banks	\$ 50,164	\$ 44,008
Interest-bearing deposits with other banks	305,402	415,843
Cash and cash equivalents	355,566	459,851
Investment securities:		
Available for sale, at fair value (amortized cost of \$226,677 and \$159,593 at December 31, 2025 and December 31, 2024, respectively)	220,358	149,212
Held to maturity, net of allowance for credit losses of \$99 and \$203 (fair value of \$378,116 and \$424,734 at December 31, 2025 and December 31, 2024, respectively)	414,827	481,077
Equity securities, at fair value	6,186	5,814
Restricted securities, at cost	17,989	20,253
Loans held for sale, at fair value	32,540	19,606
Loans held for investment	4,900,302	4,771,988
Less: allowance for credit losses	(58,836)	(57,910)
Loans, net	4,841,466	4,714,078
Premises and equipment, net	80,168	81,806
Goodwill	63,266	63,266
Other intangible assets, net	29,722	38,311
Right-of-use assets	10,523	11,385
Cash surrender value on life insurance	105,839	104,421
Accrued interest receivable	18,551	19,570
Deferred income taxes	29,825	31,857
Other assets	31,992	30,256
TOTAL ASSETS	\$ 6,258,818	\$ 6,230,763
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 1,587,953	\$ 1,562,815
Interest-bearing checking	852,585	978,076
Money market and savings	1,814,928	1,805,884
Time deposits	1,267,487	1,181,561
Brokered deposits	10,911	—
Total deposits	5,533,864	5,528,336
FHLB advances	—	50,000
Guaranteed preferred beneficial interest in junior subordinated debentures (“TRUPS”), net	30,168	29,847
Subordinated debt, net	58,893	43,870
Total borrowings	89,061	123,717
Lease liabilities	11,027	11,844
Other liabilities	34,993	25,800
TOTAL LIABILITIES	5,668,945	5,689,697
COMMITMENTS AND CONTINGENCIES (Note 18)		
STOCKHOLDERS’ EQUITY		
Common stock, \$0.01 par value per share; shares authorized 50,000,000; shares issued and outstanding 33,413,503 and 33,332,177 at December 31, 2025 and December 31, 2024, respectively	334	333
Additional paid-in capital	360,554	358,112
Retained earnings	233,578	190,166
Accumulated other comprehensive loss	(4,593)	(7,545)
TOTAL STOCKHOLDERS’ EQUITY	589,873	541,066
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	\$ 6,258,818	\$ 6,230,763

See accompanying notes to consolidated financial statements.

SHORE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(\$ in thousands, except per share data)	Year Ended December 31,		
	2025	2024	2023
INTEREST INCOME			
Interest and fees on loans	\$ 280,604	\$ 269,631	\$ 194,339
Interest and dividends on taxable investment securities	20,378	19,444	16,832
Interest and dividends on tax-exempt investment securities	24	24	46
Interest on federal funds sold	—	—	92
Interest on deposits with other banks	9,022	6,239	2,770
Total interest income	310,028	295,338	214,079
INTEREST EXPENSE			
Interest on deposits	109,203	115,301	68,800
Interest on short-term borrowings	2,089	2,131	5,518
Interest on long-term borrowings	6,359	7,357	4,454
Total interest expense	117,651	124,789	78,772
NET INTEREST INCOME	192,377	170,549	135,307
Provision for credit losses	8,375	4,738	30,953
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	184,002	165,811	104,354
NONINTEREST INCOME			
Service charges on deposit accounts	6,295	6,149	5,501
Trust and investment fee income	3,705	3,367	3,608
Mortgage banking revenue	6,078	5,987	4,513
Interchange credits	7,085	6,741	5,714
Bank-owned life insurance income	3,910	2,657	1,997
Bargain purchase gain	—	—	8,816
Other noninterest income	5,615	6,246	3,010
Total noninterest income	32,688	31,147	33,159
NONINTEREST EXPENSE			
Salaries and employee benefits	71,406	66,579	57,003
Occupancy expense	9,877	9,706	7,791
Furniture and equipment expense	3,334	3,441	2,551
Software and data processing	19,862	17,508	12,465
Amortization of other intangible assets	8,589	9,779	6,105
Legal and professional fees	5,064	5,836	4,337
FDIC insurance premium expense	3,753	4,413	3,479
Marketing and advertising	1,320	1,319	1,089
Fraud losses	460	4,998	879
Merger-related expenses	—	—	17,356
Other noninterest expense	14,370	14,675	10,274
Total noninterest expense	138,035	138,254	123,329
Income before income taxes	78,655	58,704	14,184
Income tax expense	19,149	14,815	2,956
NET INCOME	\$ 59,506	\$ 43,889	\$ 11,228
Basic net income per common share	\$ 1.78	\$ 1.32	\$ 0.42
Diluted net income per common share	\$ 1.78	\$ 1.32	\$ 0.42
Dividends paid per common share	\$ 0.48	\$ 0.48	\$ 0.48

See accompanying notes to consolidated financial statements.

SHORE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(\$ in thousands)</i>	Year Ended December 31,		
	2025	2024	2023
Net income	\$ 59,506	\$ 43,889	\$ 11,228
Other comprehensive income (loss):			
Investment securities:			
Unrealized holding gains (losses) on available for sale securities	4,062	(70)	2,101
Tax effect	(1,110)	19	(574)
Total other comprehensive income (loss)	2,952	(51)	1,527
Comprehensive income	\$ 62,458	\$ 43,838	\$ 12,755

See accompanying notes to consolidated financial statements.

SHORE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

<i>(\$ in thousands)</i>	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balances, December 31, 2022	\$ 199	\$ 201,494	\$ 171,613	\$ (9,021)	\$ 364,285
Net income	—	—	11,228	—	11,228
Cumulative effect adjustment due to the adoption of ASC 326, net of tax	—	—	(7,818)	—	(7,818)
Other comprehensive income	—	—	—	1,527	1,527
TCFC acquisition	132	152,955	—	—	153,087
Common shares issued for employee stock purchase plan	1	384	—	—	385
Stock-based compensation	—	1,174	—	—	1,174
Cash dividends at \$0.48 per common share	—	—	(12,733)	—	(12,733)
Balances, December 31, 2023	332	356,007	162,290	(7,494)	511,135
Net income	—	—	43,889	—	43,889
Other comprehensive loss	—	—	—	(51)	(51)
Common shares issued for employee stock purchase plan	1	375	—	—	376
Stock-based compensation	—	1,730	—	—	1,730
Cash dividends at \$0.48 per common share	—	—	(16,013)	—	(16,013)
Balances, December 31, 2024	333	358,112	190,166	(7,545)	541,066
Net income	—	—	59,506	—	59,506
Other comprehensive income	—	—	—	2,952	2,952
Common shares issued for employee stock purchase plan	—	82	—	—	82
Stock-based compensation	1	2,360	—	—	2,361
Cash dividends at \$0.48 per common share	—	—	(16,094)	—	(16,094)
Balances, December 31, 2025	<u>\$ 334</u>	<u>\$ 360,554</u>	<u>\$ 233,578</u>	<u>\$ (4,593)</u>	<u>\$ 589,873</u>

See accompanying notes to consolidated financial statements.

SHORE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in thousands)	Year Ended December 31,		
	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 59,506	\$ 43,889	\$ 11,228
Adjustments to reconcile net income to net cash provided by operating activities:			
Net accretion of acquisition accounting estimates	(12,043)	(14,734)	(8,772)
Provision for credit losses	8,375	4,738	30,953
Depreciation and amortization	15,331	16,040	10,939
Net amortization of securities	86	(546)	838
Amortization of debt issuance costs	120	122	122
Bargain purchase gain	—	—	(8,816)
Gain on mortgage loans held for sale	(5,671)	(5,021)	(2,978)
Loss (gain) on other mortgage loan activity	6	(220)	(499)
Proceeds from sale of mortgage loans held for sale	183,446	170,205	121,734
Originations of loans held for sale	(191,278)	(176,415)	(123,376)
Stock-based compensation expense	1,890	1,730	1,174
Deferred income tax expense	922	8,869	2,721
Loss on sales and calls of securities	—	—	2,166
Loss (gain) on sales and valuation adjustments of repossessed assets	857	(3)	—
Loss on valuation adjustments on mortgage servicing rights	858	361	251
Loss on disposal of fixed assets	358	10	—
Loss (gain) on disposal of premises held for sale	61	(737)	—
Valuation adjustments on premises transferred to held for sale	—	289	272
Loss (gain) on sales and valuation adjustments on other real estate owned	66	—	(3)
Fair value adjustment on equity securities	(189)	55	(54)
Bank-owned life insurance income	(3,910)	(2,657)	(1,997)
Net changes in:			
Accrued interest receivable	1,019	(353)	(724)
Other assets	(4,115)	5,027	(10,908)
Accrued interest payable	(421)	(1,313)	2,095
Other liabilities	7,117	(2,449)	(3,653)
Net cash provided by operating activities	62,391	46,887	22,713
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from maturities and principal payments of available for sale securities	27,070	70,892	17,754
Proceeds from the sale of acquired available for sale securities	—	—	434,215
Proceeds from maturities and principal payments of held to maturity securities	68,141	48,960	44,801
Proceeds from life insurance death benefits	2,814	150	—
Purchases of available for sale securities	(93,702)	(108,554)	(33,226)
Purchases of held to maturity securities	(2,325)	(17,512)	—
Proceeds from sale of loans held for investment	—	—	8,611
Purchases of equity securities	(183)	(166)	(79)
Purchase of restricted securities	(3,484)	(36,157)	(35,350)
Net change in loans	(122,583)	(123,277)	(317,283)
Purchases of premises and equipment	(3,168)	(5,224)	(5,954)
Proceeds from sales of other real estate owned	—	—	21
Proceeds from sales of repossessed assets	2,829	1,807	—
Redemption of restricted securities	5,748	33,804	32,959
Purchases of bank owned life insurance	(322)	(210)	(249)
Proceeds from disposal of premises held for sale	843	946	721
Cash acquired in the acquisition of TCFC, net of cash paid	—	—	25,372
Net cash (used in) provided by investing activities	\$ (118,322)	\$ (134,541)	\$ 172,313

See accompanying notes to consolidated financial statements.

SHORE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS – Continued

(\$ in thousands)	Year Ended December 31,		
	2025	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net changes in:			
Noninterest-bearing deposits	\$ 25,138	\$ 304,778	\$ (192,658)
Interest-bearing deposits	(21,840)	(164,049)	435,894
Short-term borrowings	(50,000)	—	(109,000)
Long-term borrowings	—	50,000	—
Proceeds from issuance of subordinated debt, net of issuance costs	58,860	—	—
Redemption of subordinated debt	(44,500)	—	—
Common stock dividends paid	(16,094)	(16,013)	(12,733)
Issuance of common stock	82	376	385
Net cash (used in) provided by financing activities	(48,354)	175,092	121,888
Net (decrease) increase in cash and cash equivalents	(104,285)	87,438	316,914
Cash and cash equivalents at beginning of period	459,851	372,413	55,499
Cash and cash equivalents at end of period	\$ 355,566	\$ 459,851	\$ 372,413
Supplemental cash flows information:			
Interest paid	\$ 114,858	\$ 123,567	\$ 74,038
Income taxes paid	15,070	—	7,293
Recognition of lease liabilities arising from right-of-use assets	1,210	566	179
Transfers from loans to repossessed assets	3,408	5,119	—
Transfer from loans held for sale to loans held for investment	649	—	—
Unrealized gains (losses) on available for sale securities	4,062	(70)	2,101
Transfer of premises to held for sale, included in other assets	—	1,387	750

See accompanying notes to consolidated financial statements.

Shore Bancshares, Inc.
Notes to Consolidated Financial Statements

Note 1 – Summary of Significant Accounting Policies**Basis of Presentation and Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of Shore Bancshares, Inc. and its subsidiaries (collectively referred to in these Notes as the “Company”), with all significant intercompany transactions eliminated. The accounting and reporting policies of the Company conform with generally accepted accounting principles in the United States of America (“GAAP”). For purposes of comparability, certain reclassifications have been made to amounts previously reported to conform with the current period presentation. Reclassifications had no effect on prior year net income or stockholders’ equity.

Nature of Operations

The Company engages in the banking business through Shore United Bank, N.A. (the “Bank”), a national banking association with trust powers with locations in Maryland, Delaware and Virginia. The Company’s primary source of revenue is derived from interest earned on commercial, residential mortgage and other loans, and fees charged in connection with lending and other banking services. The Company engages in financial service offerings through Wye Financial Partners and offers corporate trustee services through Wye Trust, a division of the Bank. The Bank also conducts secondary market lending activities. Mid-Maryland Title Company, Inc. (the “Title Company”), engaged in title work related to real estate transactions. The Title Company ceased conducting real estate closings effective March 31, 2025.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and in the related disclosures. These estimates are based on information available as of the date of the consolidated financial statements. These estimates are based on information available as of the date of the consolidated financial statements. While management makes its best judgments, actual amounts or results could differ from these estimates.

Investments – Debt Securities

Investments in debt securities are classified as either held to maturity (“HTM”), available for sale (“AFS”), or trading, based on management’s intent. Currently, the Company has classified its debt securities within the AFS and HTM classifications. Debt securities purchased with the positive intent and ability to hold to maturity are classified as HTM and are recorded at amortized cost, net of any allowance for credit losses (“ACL”). Debt securities not classified as HTM are classified as AFS and are carried at estimated fair value with the corresponding unrealized gains and losses recognized in other comprehensive income (loss).

Gains or losses are recognized in net income on the trade date using the amortized cost of the specific security sold. Purchase premiums are recognized in interest income using the effective interest rate method over the period from purchase to maturity or, for callable securities, the earliest call date, and purchase discounts are recognized in the same manner from purchase to maturity.

The Company has elected to exclude accrued interest receivable from the amortized cost basis and fair value of its HTM and AFS debt securities and has included such accrued interest of \$2.1 million and \$2.5 million at December 31, 2025 and 2024, respectively, within accrued interest receivable on the consolidated balance sheets. The Company has securities that have been pledged as collateral for obligations to federal, state and local government agencies, and other purposes as required or permitted by law, or sold under agreements to repurchase. At December 31, 2025, the aggregate carrying value of pledged AFS and HTM pledged securities was \$69.4 million and \$218.6 million, respectively. The comparable amounts as of December 31, 2024 were \$67.9 million and \$197.5 million, respectively.

Investments – Equity Securities

Equity securities with readily determinable fair values are carried at fair value, with changes in fair value reported in net income. Any equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments. Restricted equity securities are carried at cost and are periodically evaluated for impairment based on the ultimate recovery of par value. The entirety of any impairment on equity securities is recognized in earnings.

Allowance for Credit Losses – Securities

The Company evaluates its available for sale and held to maturity debt securities portfolios for expected credit losses as of the valuation date under ASC 326. For available for sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or if it is more likely than not that it would be required to sell, the security before recovery of its amortized cost basis. If either criterion is met, the security’s amortized cost basis is written down to fair value through income during the current period. For available for

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sale debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other driving factors. If the Company's assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, an ACL is recorded for the credit loss (which represents the difference between the expected cash flows and amortized cost basis), limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income.

The entire amount of an impairment loss is recognized in earnings only when: (1) the Company intends to sell the security; or (2) it is more likely than not that the Company will have to sell the security before recovery of the Company's amortized cost basis; or (3) the Company does not expect to recover the entire amortized cost basis of the security. In all other situations, only the portion of the impairment loss representing the credit loss must be recognized in earnings, with the remaining portion being recognized in stockholders' equity as comprehensive income, net of deferred taxes.

Changes in the ACL are recorded as a provision for (or reversal of) credit losses. Losses are charged against the ACL when the Company believes the uncollectibility of an available for sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Any impairment not recorded through an allowance for credit loss is recognized in other comprehensive income as a noncredit-related impairment.

As part of its estimation process, the Company has elected to exclude accrued interest from the amortized cost basis of available for sale debt securities and report accrued interest separately in other assets in the consolidated balance sheet. Available for sale debt securities are placed on nonaccrual status when the Company no longer expects to receive all contractual amounts due, which is generally at 90 days past due. Accrued interest receivable is reversed against interest income when a security is placed on nonaccrual status. Accordingly, the Company does not recognize an allowance for credit loss against accrued interest receivable. This approach is consistent with the Company's nonaccrual policy implemented for its loan portfolio.

The Company separately evaluates its held to maturity investment securities for any credit losses. If it determines that a security indicates evidence of deteriorated credit quality, the security is individually-evaluated and a discounted cash flow analysis is performed and compared to the amortized cost basis. As of December 31, 2025, the Company had \$378.1 million of securities classified as held to maturity at estimated fair value with an amortized cost basis of \$414.9 million, with the remainder of the securities portfolio classified as available for sale.

Loans Held for Investment

The Company's recorded investment in loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay off generally is reported at the unpaid principal balances adjusted for charges-offs, unearned discounts, any deferred fees or costs on originated loans, and the ACL. The Company has elected to exclude accrued interest receivable from the amortized cost basis of its loans held for investment and has included such accrued interest of \$16.3 million and \$16.7 million at December 31, 2025 and 2024, respectively, within accrued interest receivable on the consolidated balance sheets. Interest on loans is recorded to interest income based on the contractual rates and the amount of outstanding principal of the loans. Loan fees and origination costs are deferred and the net amount is amortized as an adjustment of the related loan's yield using the level-yield method.

Loans acquired in a business combination are recorded at estimated fair value on the date of acquisition. In the case of loans that have experienced more than insignificant deterioration in credit quality since origination as of the acquisition date, the loan's amortized cost basis is increased above estimated fair value by the amount of expected credit losses as of the acquisition date, and a corresponding ACL is also recorded.

A loan's past due status is based on the contractual due date of the most delinquent payment due. Loans are generally placed on nonaccrual status when the collection of principal or interest is 90 days or more past due, or earlier if collection is uncertain. Any accrued interest receivable on loans placed on nonaccrual status is reversed by an adjustment to interest income. Loans greater than 90 days past due may remain on accrual status if management determines it is well secured and in the process of collection. Interest payments received on nonaccrual loans are applied as a reduction of the loan principal balance unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. A loan may be returned to accrual status if the borrower has demonstrated a sustained period of repayment performance in accordance with the contractual terms of the loan and there is reasonable assurance the borrower will continue to make payments as agreed.

In the ordinary course of business, the Company has entered into commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the consolidated balance sheets when they are funded.

In the normal course of banking business, risks related to specific loan segments are as follows:

Commercial Real Estate – Commercial real estate loans consist of both loans secured by owner occupied properties and non-owner occupied properties where an established banking relationship exists and involves investment properties for multi-family (5+), warehouse, retail, and office space with a history of occupancy and cash flow. These loans are subject to adverse changes in the local economy and

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commercial real estate markets. Credit risk associated with owner occupied properties arises from the borrower's financial stability and the ability of the borrower and the business to repay the loan. Non-owner occupied properties carry the risk of a tenant's deteriorating credit strength, lease expirations in soft markets and sustained vacancies, which can adversely impact cash flow.

Residential Real Estate – Residential real estate loans are typically made to consumers and are secured by residential real estate. Credit risk arises from the borrower's continuing financial stability, which can be adversely impacted by job loss, divorce, illness or personal bankruptcy, among other factors. Also impacting credit risk would be a shortfall in the value of the residential real estate in relation to the outstanding loan balance in the event of a default or subsequent liquidation of the real estate collateral.

Construction – Construction loans are offered primarily to builders and individuals to finance the construction of single-family dwellings. In addition, the Bank periodically finances the construction of commercial projects. Credit risk factors include the borrower's ability to successfully complete the construction on time and within budget, changing market conditions which could affect the value and marketability of projects, changes in the borrower's ability or willingness to repay the loan and potentially rising interest rates which can impact both the borrower's ability to repay and the collateral value.

Commercial – Commercial loans are secured or unsecured loans for business purposes. Loans are typically secured by accounts receivable, inventory, equipment and/or other assets of the business. Credit risk arises from the successful operation of the business which may be affected by competition, rising interest rates, regulatory changes and adverse conditions in the local and regional economy. The Company discontinued the issuance of new marine loans and only services the existing portfolio at December 31, 2025.

Consumer – Consumer loans include installment loans and personal lines of credit. The credit risk of consumer loans is similar to that of residential real estate loans described above, as it is subject to the borrower's continuing financial stability and the value of the collateral securing the loan.

Credit Cards – Unsecured credit card loans were offered to our commercial and consumer customers. Credit risk factors include the borrower's continuing financial stability, which can be adversely impacted by job loss, divorce, illness or personal bankruptcy, among other factors. In 2024, the Company discontinued the issuance of new credit cards (except to select existing customers) and only services the existing portfolio at December 31, 2025.

Transfers of Loans Held for Sale (“LHFS”) to Loans Held for Investment (“LHFI”)

The Company may, from time to time, transfer LHFS to LHFI. Transfers of LHFS to LHFI are accounted for in accordance with the underlying accounting applied to the loan prior to its transfer. For loans where the fair value option had been elected, the Company continues to account for the loan at fair value in the LHFI portfolio. Subsequent changes in the fair value of these loans are recorded in interest income. The Company had a \$649 thousand transfer from LHFS to LHFI during the year ended December 31, 2025 and no transfers from LHFS to LHFI during the years ended December 31, 2024 and 2023.

Allowance for Credit Losses – Loans Held for Investment

An ACL is estimated on loans held for investment, excluding loans carried at fair value. The ACL on loans is established through charges to earnings in the form of a provision for credit losses. Loan losses are charged against the ACL for the difference between the carrying value of the loan and the estimated net realizable value or fair value of the collateral, if collateral dependent, when management believes that the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

The allowance represents management's current estimate of expected credit losses over the contractual term of loans held for investment, and is recorded at an amount that, in management's judgment, reduces the recorded investment in loans to the net amount expected to be collected. No ACL is recorded on accrued interest receivable and amounts written-off are reversed by an adjustment to interest income. Management's judgment in determining the level of the allowance is based on evaluations of historical loan losses, current conditions and reasonable and supportable forecasts relevant to the collectability of loans. The methodology for estimating the amount reported in the ACL is the sum of two main components, an allowance assessed on a collective basis for pools of loans that share similar risk characteristics and an allowance assessed on individual loans that do not share similar risk characteristics with other loans. Loans that share common risk characteristics are evaluated collectively using a cash flow approach. The cash flow approach used by the Company utilizes loan-level cash flow projections and pool-level assumptions. For loans that do not share risk characteristics with other loans, the ACL is measured based on the net realizable value, that is, the difference between the expected future cash flows and the amortized cost basis of the loan. When a loan is collateral-dependent and the repayment is expected to be provided substantially through the operation or sale of the collateral, the ACL is measured as the difference between the amortized cost basis of the loan and the fair value of the collateral.

Cash flow projections and estimated expected losses on loans that share common risk characteristics are based in part on forecasts of independent economic variables, namely, the national unemployment rate, 10-year Treasury rate and changes in GDP that are reasonable and supportable over a 12-month period and incorporated into the estimate of expected credit losses using a statistical regression analysis. For periods beyond those for which reasonable and supportable forecasts are available, projections are based on a 12-month straight-line reversion of the corresponding economic independent variable from the last forecast to a historical average level.

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Management's estimate of the ACL on loans that are collectively evaluated also includes a qualitative assessment of available information relevant to assessing collectability that is not captured in the quantitative loss estimation process. Factors considered by management include concentrations of loans to specific industry segments, the volume and severity of delinquencies and adversely classified loan balances and the value of underlying collateral, and a number of other economic indicators intended to account for the imprecision inherent in forecasting economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

Reserve for Unfunded Commitments

The Company records a reserve within other liabilities for expected credit losses on commitments to extend credit that are not unconditionally cancellable by the Company. The reserve for unfunded commitments is measured based on the principles utilized in estimating the ACL on loans and an estimate of the amount of unfunded commitments expected to be advanced. Changes in the reserve for unfunded commitments are recorded through the provision for credit losses. The Company recorded a provision for credit losses associated with its unfunded commitments of \$906 thousand, \$104 thousand and \$436 thousand during the years ended December 31, 2025, 2024 and 2023, respectively.

Loans Held For Sale

The Company has elected to carry its mortgage loans originated for sale at fair value. Fair value is determined based on outstanding investor commitments or, in the absence of such commitments, on current investor yield requirements or third-party pricing models. Fair value adjustments are recorded at each balance sheet date with the changes in fair value recognized in mortgage banking revenue in the consolidated statements of income. Gains and losses on loan sales are determined based on the differential between a loan's carrying value and sales price and are recognized through mortgage-banking revenue in the consolidated statements of income. LHFS are sold either with the mortgage servicing rights ("MSRs") released or retained by the Bank.

Mortgage Servicing Rights

When mortgage loans are sold with servicing retained, the MSRs are initially recorded at fair value and subsequently amortized in proportion to, and over the period of, estimated net servicing revenue. Servicing rights are assessed for impairment quarterly, based on fair value, with impairment recorded through income. The primary risk of material changes to the value of the servicing rights resides in the potential volatility in the economic assumptions used, particularly the prepayment speeds. Servicing fee income is recorded in the mortgage banking revenue in the consolidated statements of income.

Premises and Equipment

Land is carried at cost and premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets. Useful lives range from three to ten years for furniture, fixtures and equipment; three to five years for computer hardware and data handling equipment; and ten to 40 years for buildings and building improvements. Land improvements are amortized over a period of 15 years and leasehold improvements are amortized over the remaining term of the respective lease or useful life, whichever is shorter. Maintenance and repairs are charged to expense as incurred, while improvements that extend the useful life of an asset are capitalized and depreciated over the estimated remaining life of the asset.

Long-lived assets are evaluated periodically for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment exists when the expected undiscounted future cash flows of a long-lived asset are less than its carrying value. In that event, the Company recognizes a loss for the difference between the carrying amount and the estimated fair value of the asset.

Segment Reporting

The Company's reportable segment is determined by the Chief Executive Officer, who is designated the chief operating decision maker ("CODM"), based upon information provided about the Company's product and services offered. The segment is also distinguished by the level of information provided to the CODM, who uses such information to review performance of various components of the business, which are then aggregated if operating performance of product and customers are similar. The CODM evaluates the financial performance of the Company's business components such as revenue streams, significant expenses, and budget to actual results in assessing the Company's segment and in determination of allocated resources. While the CODM monitors the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a Company-wide basis. Accordingly, all of the financial services operations are considered by management to be aggregated in one reportable operating segment. Refer to the "Consolidated Financial Statements" included in Part II, Item 8 of this Annual Report on Form 10-K.

Business Combinations

The Company accounts for business combinations utilizing the acquisition method of accounting, which requires purchased assets and assumed liabilities be recorded at their respective fair values. In numerous instances, the fair values of acquired assets and assumed

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liabilities are ascertained by estimating the anticipated future cash flows from those assets and liabilities and discounting them at appropriate market rates. The Company determines the fair values of loans, core deposit intangibles and deposits with the assistance of a third-party vendor.

The most significant assessment of fair value in our accounting for business combinations relates to the valuation of an acquired loan portfolio. At acquisition, loans are classified as either (i) purchase credit-deteriorated (“PCD”) loans or (ii) non-PCD loans, and are recorded at fair value on the date of acquisition. PCD loans are those for which there is more than insignificant evidence of credit deterioration since origination. Fair values are determined primarily through a discounted cash flow approach that considers the acquired loans’ underlying characteristics, including account types, remaining terms, annual interest rates, interest types, timing of principal and interest payments, current market rates, and remaining balances. Estimates of fair value also include estimates of default, loss severity and estimated prepayments.

At acquisition, an allowance for PCD loans is determined based upon the Company’s methodology for estimating the ACL on loans. This allowance is credited to the ACL on loans with a corresponding adjustment to the amortized cost basis of the loan on the date of the acquisition. The difference between the new amortized cost basis and the unpaid principal balance is either a noncredit discount or premium that is amortized or accreted to interest income over the remaining life of the loan. Disposals of PCD loans, which may include sale of loans to third parties, receipt of payments in full or in part from the borrower or foreclosure of the collateral, result in removal of the loan from the loan portfolio at its carrying amount. For non-PCD loans, an ACL is established in a manner that is consistent with the Company’s originated loans. The ACL is determined using the Company’s methodology and the related ACL for non-PCD loans is recorded through a charge to the provision for credit losses in the period in which the loans are purchased or acquired. The entirety of any purchase discount or premium on non-PCD loans is amortized or accreted to interest income over the remaining life of the loan.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Other intangible assets represent purchased assets that also lack physical substance but can be distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset or liability. Goodwill and other intangible assets are initially required to be recorded at fair value. Determining fair value is subjective, requiring the use of estimates, assumptions and management judgment.

Goodwill is tested at least annually for impairment, usually during the fourth quarter, or on an interim basis if an event occurs or circumstances change that would more likely than not reduce the fair value of goodwill below its carrying value. Intangible assets that have finite lives are amortized over their estimated useful lives and also are subject to impairment testing. If the fair value of a reporting unit is less than its book value, an impairment charge may be required to write down the carrying value of the related goodwill to fair value. As of December 31, 2025, the Company had one operating segment, the banking segment. Other intangible assets consist of core deposit intangible assets arising from whole bank and branch acquisitions and are amortized using an accelerated method over their estimated useful lives, which range from seven to ten years.

During the years ended December 31, 2025 and 2024, goodwill and other intangible assets were subjected to assessments for impairment. No impairment charges were recognized in either year. Our assessment of goodwill concluded it was not more likely than not that the fair value of the Company’s reporting unit was less than its carrying amount.

Borrowings

Short-term and long-term borrowings are comprised primarily of Federal Home Loan Bank (“FHLB”) borrowings. The Company’s short-term borrowings may also include advances on other lines of credit with correspondent banks or repurchase agreements with customers. The repurchase agreements are securities sold to the Company’s customers, at the customers’ request, under a continuing “roll-over” contract that matures in one business day. The underlying securities sold are U.S. government agency securities, which are segregated from the Company’s other investment securities by its safekeeping agents.

Subordinated Debt

Subordinated debt is carried at its outstanding principal balance, net of any unamortized issuance costs and acquisition related fair value adjustments. For additional information on the Company’s subordinated debt, refer to Note 8 – “Borrowings.”

Cash and Cash Equivalents

Cash and cash equivalents include cash, deposits with other financial institutions with original maturities fewer than 90 days and federal funds sold. Interest-bearing deposits in other financial institutions mature within 90 days or less.

Derivative Financial Instruments and Hedging

The Company accounts for derivatives in accordance with Financial Accounting Standards Board (“FASB”) literature on accounting for derivative instruments and hedging activities. When we enter into a derivative contract, we designate the derivative as held for trading, an

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economic hedge, or a qualifying hedge as detailed in the literature. The designation may change based upon management's reassessment or changing circumstances. Derivatives utilized by the Company include interest rate lock commitments ("IRLCs") and forward settlement contracts. IRLCs occur when we originate mortgage loans with interest rates determined prior to funding. Forward settlement contracts are agreements to buy or sell a quantity of a financial instrument, index, currency, or commodity at a predetermined future date, rate, or price.

We designate at inception whether a derivative contract is considered hedging or non-hedging. All of our derivatives are nonexchange traded contracts, and as such, their fair value is based on dealer quotes, pricing models, discounted cash flow methodologies, or similar techniques for which the determination of fair value may require significant management judgment or estimation.

For qualifying hedges, we formally document at inception all relationships between hedging instruments and hedged items, as well as risk management objectives and strategies for undertaking various accounting hedges. We primarily utilize derivatives to manage interest rate sensitivity.

As of December 31, 2025 and 2024, the Company did not have any designated hedges.

Fair Value

The Company measures certain financial assets and liabilities at fair value and also makes disclosures about certain financial instruments that are not measured at fair value in the consolidated balance sheets. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants, on the measurement date. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, and other factors, particularly in the absence of broad markets for specific terms. Changes in assumptions or in market conditions could significantly affect these estimates. See Note 16 – "Fair Value Measurements" for a further discussion of fair value.

Income Taxes

The Company and its subsidiary file a consolidated federal income tax return. The Company accounts for income taxes using the liability method in accordance with appropriate accounting guidance. Under this method, deferred tax assets and liabilities are determined by applying the applicable federal and state income tax rates to cumulative temporary differences. These temporary differences represent differences between financial statement carrying amounts and the corresponding tax bases of certain assets and liabilities. Deferred taxes result from such temporary differences.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. A valuation allowance, if needed, reduces deferred tax assets to the expected amount most likely to be realized. Realization of deferred tax assets is dependent upon the generation of a sufficient level of future taxable income, recoverable taxes paid in prior years and tax planning strategies. The Company evaluates all positive and negative evidence before determining whether a valuation allowance is deemed necessary regarding the realization of deferred tax assets. The Company recognizes accrued interest and penalties as a component of tax expense.

The provision for income taxes includes the impact of reserve provisions and changes in the reserves that are considered appropriate, as well as the related net interest and penalties. In addition, the Company is subject to the continuous examination of its income tax returns by the IRS and other tax authorities that may assert assessments against the Company. The Company regularly assesses the likelihood of adverse outcomes resulting from these examinations and assessments to determine the adequacy of its provision for income taxes. The Company remains subject to examination for tax years ending on or after December 31, 2022.

Basic and Diluted Earnings Per Common Share

Basic earnings per share is calculated by dividing net income available to common stockholders by the weighted-average number of common shares outstanding and does not include the effect of any potentially dilutive common stock equivalents. Included in this calculation due to dividend participation rights are restricted stock awards that have been granted. Diluted earnings per share is calculated by dividing net income available to common stockholders by the weighted-average number of shares outstanding, adjusted for the effect of any potentially dilutive common stock equivalents.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales at the time when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (i) the assets have been isolated from the Company, (ii) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (iii) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Stock-Based Compensation

The Company may grant share-based awards to employees and non-employee directors in the form of restricted stock and restricted stock units (“RSUs”). The fair value of restricted stock and RSUs is determined based on the closing price of the Company’s common stock on the date of grant. The Company recognizes compensation expense related to equity compensation on a straight-line basis over the vesting period for service-based awards. When equity awards are subject to performance conditions, the awards are subsequently remeasured in each reporting period until settlement based on the quantity of awards for which it is probable that the performance conditions will be achieved. The fair value of stock options is estimated at the date of grant using the Black-Scholes option pricing model and related assumptions. The Company uses historical data to predict option exercise and employee termination behavior. Expected volatilities are based on the historical volatility of the Company’s common stock. The expected term of options granted is derived from actual historical exercise activity and represents the period of time that options granted are expected to be outstanding. The risk-free rate is derived from the U.S. Treasury yield curve in effect at the time of grant based on the expected life of the option. The dividend yield is equal to the dividend yield of the Company’s common stock at the time of grant. Expense related to shared-based compensation is recorded in the statements of income as a component of salaries and employee benefits for employees and as a component of other noninterest expense for non-employee directors, with a corresponding increase to additional paid-in capital.

Advertising Costs

Advertising costs are generally expensed as incurred. The Company incurred advertising costs of approximately \$1.3 million, \$1.3 million and \$1.1 million for the years ended December 31, 2025, 2024 and 2023, respectively.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) consists of unrealized holding gains and losses on available for sale securities, net of any gains recognized from the sale of available for sale securities. There were no reclassifications from accumulated other comprehensive income during the years ended December 31, 2025, 2024 and 2023.

Recent Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in this ASU require an entity to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold, which is greater than five percent of the amount computed by multiplying pre-tax income by the entity’s applicable statutory rate, on an annual basis. Additionally, the amendments in this ASU require an entity to disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions that are equal to or greater than five percent of total income taxes paid (net of refunds received). Lastly, the amendments in this ASU require an entity to disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign. This ASU is effective for annual periods beginning after December 15, 2024. The Company adopted this ASU prospectively on January 1, 2025. Refer to Note 14 – Income Taxes for additional details related to the impact that adoption of this ASU had on the Company’s consolidated financial statements and related disclosures.

Note 2 – Investment Securities

The following tables provide information on the amortized cost and estimated fair values of investment securities as of December 31, 2025 and 2024.

<i>(\$ in thousands)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available for sale securities⁽¹⁾:				
December 31, 2025				
U.S. Treasury and government agency securities	\$ 22,303	\$ 2	\$ 1,689	\$ 20,616
Mortgage-backed securities	200,105	331	5,409	195,027
Other debt securities ⁽²⁾	4,269	446	—	4,715
Total	<u>\$ 226,677</u>	<u>\$ 779</u>	<u>\$ 7,098</u>	<u>\$ 220,358</u>
December 31, 2024				
U.S. Treasury and government agency securities	\$ 22,984	\$ 4	\$ 2,786	\$ 20,202
Mortgage-backed securities	130,439	84	8,139	122,384
Other debt securities ⁽²⁾	6,170	469	13	6,626
Total	<u>\$ 159,593</u>	<u>\$ 557</u>	<u>\$ 10,938</u>	<u>\$ 149,212</u>

(1) No available for sale (“AFS”) securities were sold during the years ended December 31, 2025 and 2024.

(2) Other debt securities includes corporate and municipal bond obligations of state and political entities.

<i>(\$ in thousands)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Allowance for Credit Losses
Held to maturity securities:					
December 31, 2025					
U.S. Treasury and government agency securities	\$ 104,836	\$ 2	\$ 4,513	\$ 100,325	\$ —
Mortgage-backed securities	303,129	255	32,167	271,217	—
Other debt securities ⁽¹⁾	6,961	33	420	6,574	99
Total	<u>\$ 414,926</u>	<u>\$ 290</u>	<u>\$ 37,100</u>	<u>\$ 378,116</u>	<u>\$ 99</u>
December 31, 2024					
U.S. Treasury and government agency securities	\$ 132,560	\$ —	\$ 8,555	\$ 124,005	\$ —
Mortgage-backed securities	336,755	—	47,234	289,521	—
Other debt securities ⁽¹⁾	11,965	19	776	11,208	203
Total	<u>\$ 481,280</u>	<u>\$ 19</u>	<u>\$ 56,565</u>	<u>\$ 424,734</u>	<u>\$ 203</u>

(1) Other debt securities includes corporate and municipal bond obligations of state and political entities.

Equity securities with aggregate fair values of \$6.2 million and \$5.8 million as of December 31, 2025 and 2024, respectively, are presented separately on the consolidated balance sheets. The fair value adjustments recorded through earnings totaled gains of \$372 thousand, \$111 thousand and \$133 thousand for the years ended December 31, 2025, 2024 and 2023, respectively.

The following table summarizes the activity in the allowance for credit losses (“ACL”) on held to maturity (“HTM”) securities for the periods presented.

<i>(\$ in thousands)</i>	Year Ended December 31,		
	2025	2024	2023
Balance, beginning of period	\$ 203	\$ 94	\$ —
Provision for (reversal of) credit losses, other debt securities	(104)	109	94
Balance, end of period	<u>\$ 99</u>	<u>\$ 203</u>	<u>\$ 94</u>

A reversal of the provision for credit losses of \$104 thousand, a provision for credit losses of \$109 thousand and a provision for credit losses of \$94 thousand was recorded on HTM corporate and municipal bonds for the years ended December 31, 2025, 2024 and 2023, respectively.

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The following tables provide information about gross unrealized losses and fair value by length of time that the individual securities have been in a continuous unrealized loss position as of December 31, 2025 and 2024.

(\$ in thousands)	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2025						
Available for sale securities:						
U.S. Treasury and government agency securities	\$ —	\$ —	\$ 18,027	\$ 1,689	\$ 18,027	\$ 1,689
Mortgage-backed securities	102,954	531	47,656	4,878	150,610	5,409
Other debt securities	—	—	—	—	—	—
Total	\$ 102,954	\$ 531	\$ 65,683	\$ 6,567	\$ 168,637	\$ 7,098

(\$ in thousands)	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2024						
Available for sale securities:						
U.S. Treasury and government agency securities	\$ 207	\$ —	\$ 17,422	\$ 2,786	\$ 17,629	\$ 2,786
Mortgage-backed securities	56,913	710	48,782	7,429	105,695	8,139
Other debt securities	—	—	1,988	13	1,988	13
Total	\$ 57,120	\$ 710	\$ 68,192	\$ 10,228	\$ 125,312	\$ 10,938

There were 122 AFS debt securities with a fair value below the amortized cost basis, with unrealized losses totaling \$7.1 million as of December 31, 2025. The Company concluded that a credit loss does not exist in its AFS securities portfolio as of December 31, 2025, and no impairment loss has been recognized based on the fact that (1) changes in fair value were primarily caused by fluctuations in interest rates, (2) securities with unrealized losses had generally high credit quality, (3) the Company intends to hold these investments in debt securities to maturity and it is more likely than not the Company will not be required to sell these investments before a recovery of its investment, and (4) issuers have continued to make timely payments of principal and interest. Additionally, the Company's mortgage-backed securities are issued by either U.S. government agencies or U.S. government-sponsored enterprises. Collectively, these entities provide a guarantee, which is either explicitly or implicitly supported by the full faith and credit of the U.S. government, that investors in such mortgage-backed securities will receive timely principal and interest payments.

All HTM and AFS securities were current with no securities past due or on nonaccrual as of December 31, 2025 and 2024.

Because the Company does not intend to sell these securities and it is not more likely than not that the Company will be required to sell these securities before recovery of their amortized cost bases, which may be at maturity for debt securities, the Company considers the unrealized losses to be temporary. There were 122 AFS and 169 HTM securities in an unrealized loss position at December 31, 2025. There were 111 AFS and 187 HTM securities in an unrealized loss position at December 31, 2024. Net unrealized losses of the AFS securities totaled \$6.3 million and \$10.4 million as of December 31, 2025 and 2024, respectively.

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The following table provides information on the amortized cost and estimated fair values of investment securities by contractual maturity date at December 31, 2025.

<i>(\$ in thousands)</i>	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 2,461	\$ 2,463	\$ 32,564	\$ 32,391
Due after one year through five years	21,330	19,808	63,596	60,829
Due after five years through ten years	2,529	2,823	5,488	5,105
Due after ten years	252	237	10,149	8,574
Total non-mortgage-backed securities	\$ 26,572	\$ 25,331	\$ 111,797	\$ 106,899
Mortgage-backed securities	200,105	195,027	303,129	271,217
Total	\$ 226,677	\$ 220,358	\$ 414,926	\$ 378,116

The maturity dates for debt securities are determined using contractual maturity dates. Actual maturities may differ from amounts presented because certain issuers have the right to call or prepay obligations without prepayment penalties.

The Company has securities that have been pledged as collateral for obligations to federal, state and local government agencies, and other purposes as required or permitted by law, or sold under agreements to repurchase. At December 31, 2025, the aggregate carrying value of AFS and HTM pledged securities was \$69.4 million and \$218.6 million, respectively. The comparable amounts for December 31, 2024 were \$67.9 million and \$197.5 million, respectively.

The following table sets forth the amortized cost and estimated fair values of securities that have been pledged as collateral for obligations to federal, state and local government agencies, and other purposes as required or permitted by law, or sold under agreements to repurchase at December 31, 2025 and 2024.

<i>(\$ in thousands)</i>	December 31, 2025		December 31, 2024	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Pledged available for sale securities	\$ 75,123	\$ 69,369	\$ 76,280	\$ 67,926
Pledged held to maturity securities	218,556	197,146	197,474	173,248

There were no obligations of any issuer exceeding 10% of stockholders' equity at December 31, 2025 or 2024.

Note 3 – Loans and Allowance for Credit Losses

The Company classifies loans as commercial real estate, residential real estate, construction, commercial, consumer and credit cards, with customers primarily located in Maryland, Delaware and Virginia. The Company makes loans to certain officers, directors and their affiliated interests. See Note 19 – “Related Party Transactions” for more information.

The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables. For further discussion on the most significant accounting policies that the Company follows, see Note 1 – “Summary of Significant Accounting Policies.”

The following table provides information about the principal classes of the loan portfolio at December 31, 2025 and 2024.

<i>(\$ in thousands)</i>	December 31, 2025	% of Total Loans	December 31, 2024	% of Total Loans
Commercial real estate	\$ 2,643,996	53.95 %	\$ 2,557,806	53.60 %
Residential real estate	1,414,964	28.88	1,329,406	27.85
Construction	344,903	7.04	335,999	7.04
Commercial	226,006	4.61	237,932	4.99
Consumer	265,912	5.43	303,746	6.37
Credit cards	4,521	0.09	7,099	0.15
Total loans	4,900,302	100.00 %	4,771,988	100.00 %
Less: allowance for credit losses	(58,836)		(57,910)	
Total loans, net	\$ 4,841,466		\$ 4,714,078	

Loans are stated at their principal amount outstanding, net of any purchase premiums or discounts, deferred fees, and costs. Included in loans were deferred costs, net of fees, of \$3.1 million and \$3.2 million at December 31, 2025 and 2024, respectively. At December 31, 2025 and 2024, loans included \$1.49 billion and \$1.69 billion, respectively, of aggregate loans that were acquired as part of the

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acquisitions of Severn Bancorp, Inc. (“Severn”) and The Community Financial Corporation (“TCFC”). These balances are presented net of the related aggregate discounts, which totaled \$78.2 million and \$92.0 million at December 31, 2025 and 2024, respectively.

The following tables provide information on the amortized cost basis on nonaccrual loans by loan class as of December 31, 2025 and 2024.

<i>(\$ in thousands)</i>	Nonaccrual With No Allowance For Credit Loss	Nonaccrual With An Allowance For Credit Loss	Total Nonaccrual Loans
December 31, 2025			
Nonaccrual loans:			
Commercial real estate	\$ 6,135	\$ 19,498	\$ 25,633
Residential real estate	9,594	544	10,138
Construction	88	—	88
Commercial	2,297	784	3,081
Consumer	898	74	972
Credit cards	—	48	48
Total	\$ 19,012	\$ 20,948	\$ 39,960
Interest income	\$ 285	\$ 363	\$ 648

<i>(\$ in thousands)</i>	Nonaccrual With No Allowance For Credit Loss	Nonaccrual With An Allowance For Credit Loss	Total Nonaccrual Loans
December 31, 2024			
Nonaccrual loans:			
Commercial real estate	\$ 8,192	\$ 2,194	\$ 10,386
Residential real estate	6,741	873	7,614
Construction	360	—	360
Commercial	458	549	1,007
Consumer	761	712	1,473
Credit cards	—	168	168
Total	\$ 16,512	\$ 4,496	\$ 21,008
Interest income	\$ 274	\$ 65	\$ 339

<i>(\$ in thousands)</i>	Nonaccrual Delinquent Loans	Nonaccrual Current Loans	Total Nonaccrual Loans
December 31, 2025			
Nonaccrual loans:			
Commercial real estate	\$ 2,809	\$ 22,824	\$ 25,633
Residential real estate	3,808	6,330	10,138
Construction	88	—	88
Commercial	196	2,885	3,081
Consumer	491	481	972
Credit cards	32	16	48
Total	\$ 7,424	\$ 32,536	\$ 39,960

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<i>(\$ in thousands)</i>	Nonaccrual Delinquent Loans	Nonaccrual Current Loans	Total Nonaccrual Loans
December 31, 2024			
Nonaccrual loans:			
Commercial real estate	\$ 7,268	\$ 3,118	\$ 10,386
Residential real estate	3,979	3,635	7,614
Construction	360	—	360
Commercial	70	937	1,007
Consumer	1,431	42	1,473
Credit cards	146	22	168
Total	\$ 13,254	\$ 7,754	\$ 21,008

The overall quality of the Company’s loan portfolio is primarily assessed using the Company’s risk-grading scale. This review process is assisted by frequent internal reporting of loan production, loan quality, concentrations of credit, loan delinquencies and nonperforming and potential problem loans. Credit quality indicators are adjusted based on management’s judgment during the quarterly review process.

Consumer credit cards are monitored based on a borrower’s payment history. Credit card loans are classified as performing and are typically charged off no later than 180 days past due or when, in the opinion of management, the collection of principal or interest is considered doubtful. As of December 31, 2025, there were two credit cards that were evaluated based on economic conditions specific to the loans or borrowers, and were downgraded to substandard and nonperforming.

Loans subject to risk rating are graded on a scale of one to ten.

Ratings 1 thru 6 – Pass – Ratings 1 thru 6 have asset risks ranging from excellent-low to adequate. The specific rating assigned considers customer history of earnings, cash flows, liquidity, leverage, capitalization, consistency of debt service coverage, the nature and extent of customer relationship and other relevant specific business factors such as the stability of the industry or market area, changes to management, litigation or unexpected events that could have an impact on risks.

Rating 7 – Special Mention – These credits have potential weaknesses due to economic conditions, less than adequate earnings performance or other factors which require the lending officer to direct more than normal attention to the credit. Financing alternatives may be limited and/or command higher risk interest rates. Special mention loan relationships are reviewed at least quarterly.

Rating 8 – Substandard – Substandard assets are assets that are inadequately protected by the sound worth or paying capacity of the borrower or of the collateral pledged. Substandard loans are the first adversely classified loans on the Bank’s watchlist. These assets have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the possibility that the Company will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets classified substandard. The loans may have a delinquent history or combination of weak collateral, weak guarantor or operating losses. When a loan is assigned to this category, the Company may estimate a specific reserve in the credit loss allowance analysis and/or place the loan on nonaccrual. These assets listed may include assets with histories of repossessions or some that are nonperforming bankruptcies. These relationships will be reviewed at least quarterly.

Rating 9 – Doubtful – Doubtful assets have many of the same characteristics of substandard with the exception that the Company has determined that loss is not only possible but is probable. The amount of loss is not discernible due to factors such as merger, acquisition, or liquidation; a capital injection; a pledge of additional collateral; the sale of assets; or alternative refinancing plans. Credits receiving a doubtful classification are required to be on nonaccrual. These relationships will be reviewed at least quarterly.

Rating 10 – Loss – Loss assets are uncollectible or of little value.

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The following table provides information on loan risk ratings as of December 31, 2025 and gross write-offs during the year ended December 31, 2025.

(\$ in thousands)	Term Loans by Origination Year						Revolving loans	Revolving converted to term loans	Total
	Prior	2021	2022	2023	2024	2025			
December 31, 2025									
Commercial real estate									
Pass	\$ 939,986	\$ 364,719	\$ 556,924	\$ 242,170	\$ 139,929	\$ 265,405	\$ 14,703	\$ 27,136	\$ 2,550,972
Special mention	15,105	2,884	34,014	344	—	—	—	—	52,347
Substandard	20,056	16,806	2,840	—	283	—	692	—	40,677
Total	\$ 975,147	\$ 384,409	\$ 593,778	\$ 242,514	\$ 140,212	\$ 265,405	\$ 15,395	\$ 27,136	\$ 2,643,996
Gross charge-offs	\$ (109)	\$ (2,640)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (2,749)
Residential real estate									
Pass	\$ 317,764	\$ 182,198	\$ 275,869	\$ 215,397	\$ 147,517	\$ 114,300	\$ 131,075	\$ 695	\$ 1,384,815
Special mention	3,719	14,777	—	504	—	—	65	—	19,065
Substandard	6,990	2,012	267	330	—	112	1,373	—	11,084
Total	\$ 328,473	\$ 198,987	\$ 276,136	\$ 216,231	\$ 147,517	\$ 114,412	\$ 132,513	\$ 695	\$ 1,414,964
Gross charge-offs	\$ (5)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (45)	\$ —	\$ (50)
Construction									
Pass	\$ 27,094	\$ 7,238	\$ 7,047	\$ 28,868	\$ 108,885	\$ 151,738	\$ 13,070	\$ 632	\$ 344,572
Special mentions	—	—	—	—	—	—	—	—	—
Substandard	88	—	—	—	—	243	—	—	331
Total	\$ 27,182	\$ 7,238	\$ 7,047	\$ 28,868	\$ 108,885	\$ 151,981	\$ 13,070	\$ 632	\$ 344,903
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial									
Pass	\$ 23,379	\$ 25,518	\$ 19,739	\$ 14,925	\$ 29,307	\$ 35,202	\$ 70,493	\$ 1,870	\$ 220,433
Special mention	104	27	107	105	76	54	845	—	1,318
Substandard	424	1,055	758	527	—	—	1,318	173	4,255
Total	\$ 23,907	\$ 26,600	\$ 20,604	\$ 15,557	\$ 29,383	\$ 35,256	\$ 72,656	\$ 2,043	\$ 226,006
Gross charge-offs	\$ (71)	\$ —	\$ —	\$ (329)	\$ —	\$ —	\$ (381)	\$ (31)	\$ (812)
Consumer									
Pass	\$ 7,954	\$ 45,750	\$ 88,990	\$ 39,576	\$ 31,597	\$ 49,634	\$ 769	\$ —	\$ 264,270
Special mention	—	—	671	—	—	—	—	—	671
Substandard	1	29	396	445	41	59	—	—	971
Total	\$ 7,955	\$ 45,779	\$ 90,057	\$ 40,021	\$ 31,638	\$ 49,693	\$ 769	\$ —	\$ 265,912
Gross charge-offs	\$ (451)	\$ (99)	\$ (1,595)	\$ (646)	\$ (324)	\$ —	\$ (18)	\$ —	\$ (3,133)
Total									
Pass	\$ 1,316,177	\$ 625,423	\$ 948,569	\$ 540,936	\$ 457,235	\$ 616,279	\$ 230,110	\$ 30,333	\$ 4,765,062
Special mention	18,928	17,688	34,792	953	76	54	910	—	73,401
Substandard	27,559	19,902	4,261	1,302	324	414	3,383	173	57,318
Total loans by risk category	\$ 1,362,664	\$ 663,013	\$ 987,622	\$ 543,191	\$ 457,635	\$ 616,747	\$ 234,403	\$ 30,506	\$ 4,895,781
Total gross charge-offs	\$ (636)	\$ (2,739)	\$ (1,595)	\$ (975)	\$ (324)	\$ —	\$ (444)	\$ (31)	\$ (6,744)

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The following table presents the amortized cost in credit card loans based on performing status and gross charge-off as of December 31, 2025 and gross write-offs during the year ended December 31, 2025. Nonperforming loans consisted of nonaccrual loans and loans past due 90 days or more and still accruing.

(\$ in thousands)	Term Loans by Origination Year						Revolving Loans	Revolving Converted to Term Loans	Total
	Prior	2021	2022	2023	2024	2025			
December 31, 2025									
Credit cards									
Performing	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,473	\$ —	\$ 4,473
Nonperforming	—	—	—	—	—	—	48	—	48
Total	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,521	\$ —	\$ 4,521
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (535)	\$ —	\$ (535)
Total loans evaluated by performing status									
	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,521	\$ —	\$ 4,521
Total gross charge-offs									
	\$ (636)	\$ (2,739)	\$ (1,595)	\$ (975)	\$ (324)	\$ —	\$ (979)	\$ (31)	\$ (7,279)
Total recorded investment									
	\$ 1,362,664	\$ 663,013	\$ 987,622	\$ 543,191	\$ 457,635	\$ 616,747	\$ 238,924	\$ 30,506	\$ 4,900,302

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The following table provides information on loan risk ratings as of December 31, 2024 and gross write-offs during the year ended December 31, 2024.

(\$ in thousands)	Term Loans by Origination Year						Revolving Loans	Revolving Converted to Term Loans	Total
	Prior	2020	2021	2022	2023	2024			
December 31, 2024									
Commercial real estate									
Pass	\$ 822,391	\$ 297,098	\$ 435,084	\$ 534,936	\$ 250,482	\$ 136,891	\$ 24,966	\$ 14,084	\$ 2,515,932
Special mention	7,514	—	2,964	19,746	—	—	417	—	30,641
Substandard	7,684	—	2,991	—	—	—	558	—	11,233
Total	\$ 837,589	\$ 297,098	\$ 441,039	\$ 554,682	\$ 250,482	\$ 136,891	\$ 25,941	\$ 14,084	\$ 2,557,806
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Residential real estate									
Pass	\$ 291,306	\$ 78,568	\$ 211,938	\$ 295,402	\$ 220,753	\$ 101,005	\$ 119,367	\$ 613	\$ 1,318,952
Special mention	1,529	518	—	—	—	—	—	—	2,047
Substandard	5,414	—	1,342	290	885	—	476	—	8,407
Total	\$ 298,249	\$ 79,086	\$ 213,280	\$ 295,692	\$ 221,638	\$ 101,005	\$ 119,843	\$ 613	\$ 1,329,406
Gross charge-offs	\$ (1)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (1)
Construction									
Pass	\$ 31,884	\$ 8,191	\$ 8,628	\$ 56,685	\$ 70,232	\$ 131,383	\$ 26,785	\$ 1,851	\$ 335,639
Special mentions	—	—	—	—	—	—	—	—	—
Substandard	360	—	—	—	—	—	—	—	360
Total	\$ 32,244	\$ 8,191	\$ 8,628	\$ 56,685	\$ 70,232	\$ 131,383	\$ 26,785	\$ 1,851	\$ 335,999
Gross charge-offs	\$ —	\$ —	\$ (12)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (12)
Commercial									
Pass	\$ 25,214	\$ 11,088	\$ 40,817	\$ 29,142	\$ 29,458	\$ 39,489	\$ 57,982	\$ 874	\$ 234,064
Special mention	116	—	—	—	—	—	703	11	830
Substandard	515	—	8	1,257	500	—	257	501	3,038
Total	\$ 25,845	\$ 11,088	\$ 40,825	\$ 30,399	\$ 29,958	\$ 39,489	\$ 58,942	\$ 1,386	\$ 237,932
Gross charge-offs	\$ (54)	\$ (11)	\$ —	\$ (56)	\$ (69)	\$ —	\$ —	\$ —	\$ (190)
Consumer									
Pass	\$ 1,315	\$ 10,469	\$ 60,718	\$ 114,639	\$ 61,652	\$ 52,798	\$ 682	\$ —	\$ 302,273
Special mention	—	—	—	—	—	—	—	—	—
Substandard	2	—	48	860	563	—	—	—	1,473
Total	\$ 1,317	\$ 10,469	\$ 60,766	\$ 115,499	\$ 62,215	\$ 52,798	\$ 682	\$ —	\$ 303,746
Gross charge-offs	\$ (1,287)	\$ (12)	\$ (389)	\$ (1,764)	\$ (177)	\$ —	\$ (17)	\$ —	\$ (3,646)
Total									
Pass	\$ 1,172,110	\$ 405,414	\$ 757,185	\$ 1,030,804	\$ 632,577	\$ 461,566	\$ 229,782	\$ 17,422	\$ 4,706,860
Special mention	9,159	518	2,964	19,746	—	—	1,120	11	33,518
Substandard	13,975	—	4,389	2,407	1,948	—	1,291	501	24,511
Total loans by risk category	\$ 1,195,244	\$ 405,932	\$ 764,538	\$ 1,052,957	\$ 634,525	\$ 461,566	\$ 232,193	\$ 17,934	\$ 4,764,889
Total gross charge-offs	\$ (1,342)	\$ (23)	\$ (401)	\$ (1,820)	\$ (246)	\$ —	\$ (17)	\$ —	\$ (3,849)

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The following table presents the amortized cost in credit card loans based on performing status and gross charge-off as of December 31, 2024 and gross write-offs during the year ended December 31, 2024. Nonperforming loans consisted of nonaccrual loans and loans past due 90 days or more and still accruing.

(\$ in thousands)	Term Loans by Origination Year						Revolving Loans	Revolving Converted to Term Loans	Total
	Prior	2020	2021	2022	2023	2024			
December 31, 2024									
Credit cards									
Performing	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 6,931	\$ —	\$ 6,931
Nonperforming	—	—	—	—	—	—	168	—	168
Total	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7,099	\$ —	\$ 7,099
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (584)	\$ —	\$ (584)
Total loans evaluated by performing status									
	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7,099	\$ —	\$ 7,099
Total gross charge-offs									
	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (584)	\$ —	\$ (584)
Total recorded investment									
	\$ 1,195,244	\$ 405,932	\$ 764,538	\$ 1,052,957	\$ 634,525	\$ 461,566	\$ 239,292	\$ 17,934	\$ 4,771,988

The following tables provide information on the aging of the Company's loan portfolio as of December 31, 2025 and 2024.

(\$ in thousands)	30-89 Days					Total Past Due	Current Accrual Loans	Current Nonaccrual Loans	Total
	30-59 Days Past Due	60-89 Days Past Due	90 Days Past Due and Still Accruing	Past Due and Not Accruing	90 Days Past Due and Not Accruing				
December 31, 2025									
Commercial real estate	\$ 1,684	\$ —	\$ —	\$ 68	\$ 2,741	\$ 4,493	\$2,616,679	\$ 22,824	\$2,643,996
Residential real estate	1,663	397	71	1,225	2,583	5,939	1,402,695	6,330	1,414,964
Construction	—	43	79	—	88	210	344,693	—	344,903
Commercial	—	4	—	46	150	200	222,921	2,885	226,006
Consumer	390	690	—	43	448	1,571	263,860	481	265,912
Credit cards	14	19	105	32	—	170	4,335	16	4,521
Total	\$ 3,751	\$ 1,153	\$ 255	\$ 1,414	\$ 6,010	\$ 12,583	\$4,855,183	\$ 32,536	\$4,900,302
Percent of total loans	0.08 %	0.02 %	0.01 %	0.03 %	0.12 %	0.26 %	99.08 %	0.66 %	100.00 %

(\$ in thousands)	30-89 Days					Total Past Due	Current Accrual Loans	Current Nonaccrual Loans	Total
	30-59 days Past Due	60-89 Days Past Due	90 Days Past Due and Still Accruing	Past Due and Not Accruing	90 Days Past Due and Not Accruing				
December 31, 2024									
Commercial real estate	\$ 75	\$ —	\$ —	\$ 2,328	\$ 4,940	\$ 7,343	\$2,547,345	\$ 3,118	\$2,557,806
Residential real estate	3,828	246	127	655	3,324	8,180	1,317,591	3,635	1,329,406
Construction	30	—	—	—	360	390	335,609	—	335,999
Commercial	152	2	—	—	70	224	236,771	937	237,932
Consumer	4,068	55	—	1,180	251	5,554	298,150	42	303,746
Credit cards	161	190	167	—	146	664	6,413	22	7,099
Total	\$ 8,314	\$ 493	\$ 294	\$ 4,163	\$ 9,091	\$ 22,355	\$4,741,879	\$ 7,754	\$4,771,988
Percent of total loans	0.17 %	0.01 %	0.01 %	0.09 %	0.19 %	0.47 %	99.37 %	0.16 %	100.00 %

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The following tables provide a summary of the activity in the ACL allocated by loan class for the years ended December 31, 2025 and 2024. Allocation of a portion of the allowance to one loan class does not preclude its availability to absorb losses from other loan classes.

<i>(\$ in thousands)</i>	Beginning Balance	Charge-offs	Recoveries	Provisions	Ending Balance
Year Ended December 31, 2025					
Commercial real estate	\$ 22,846	\$ (2,749)	\$ 78	\$ 1,212	\$ 21,387
Residential real estate	21,776	(50)	196	588	22,510
Construction	2,854	—	1	3,113	5,968
Commercial	3,138	(812)	112	567	3,005
Consumer	6,889	(3,133)	242	1,769	5,767
Credit cards	407	(535)	3	324	199
Total	\$ 57,910	\$ (7,279)	\$ 632	\$ 7,573	\$ 58,836

<i>(\$ in thousands)</i>	Beginning Balance	Charge-offs	Recoveries	Provisions	Ending Balance
Year Ended December 31, 2024					
Commercial real estate	\$ 23,015	\$ —	\$ —	\$ (169)	\$ 22,846
Residential real estate	19,909	(1)	7	1,861	21,776
Construction	3,935	(12)	13	(1,082)	2,854
Commercial	2,671	(190)	15	642	3,138
Consumer	7,601	(3,646)	317	2,617	6,889
Credit cards	220	(584)	9	762	407
Total	\$ 57,351	\$ (4,433)	\$ 361	\$ 4,631	\$ 57,910

The following tables present the amortized cost basis of collateral-dependent loans by loan portfolio segment.

<i>(\$ in thousands)</i>	December 31, 2025		
	Real Estate Collateral	Other Collateral	Total
Commercial real estate	\$ 40,676	\$ —	\$ 40,676
Residential real estate	11,084	—	11,084
Construction	332	—	332
Commercial	—	4,164	4,164
Consumer	—	971	971
Total	\$ 52,092	\$ 5,135	\$ 57,227

<i>(\$ in thousands)</i>	December 31, 2024		
	Real Estate Collateral	Other Collateral	Total
Commercial real estate	\$ 12,835	\$ —	\$ 12,835
Residential real estate	9,023	—	9,023
Construction	360	—	360
Commercial	—	3,039	3,039
Consumer	—	1,483	1,483
Total	\$ 22,218	\$ 4,522	\$ 26,740

Loan Modifications to Borrowers Experiencing Financial Difficulty

Loan modifications to borrowers experiencing financial difficulty may include interest rate reduction, principal or interest forgiveness, forbearance, term extensions and other combinations of actions intended to minimize economic loss and avoid foreclosure or repossession of collateral.

The following table presents details of portfolio loans that were modified during the year ended December 31, 2025, by loan category.

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<i>(\$ in thousands)</i>	Quantity of Loans Modified	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Payment Delay and Term Extension	Term Extension and Interest Rate Reduction	Total	% of Total Portfolio Segment
December 31, 2025									
Commercial real estate	6	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,166	\$ 5,166	0.20 %
Residential real estate	3	—	—	—	—	—	145	145	0.01
Commercial	2	—	—	—	—	—	170	170	0.08
Total	<u>11</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,481</u>	<u>\$ 5,481</u>	<u>0.11</u>

As of December 31, 2025, of the loans with borrowers experiencing financial difficulty that were modified during the preceding 12 months, \$5.3 million and \$170 thousand were classified as current accrual and current nonaccrual, respectively.

The following table presents details of portfolio loans that were modified during the year ended December 31, 2024, by loan category.

<i>(\$ in thousands)</i>	Quantity of Loans Modified	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Payment Delay and Term Extension	Term Extension and Interest Rate Reduction	Total	% of Total Portfolio Segment
December 31, 2024									
Commercial real estate	1	\$ —	\$ —	\$ 1,362	\$ —	\$ —	\$ —	\$ 1,362	0.05 %
Total	<u>1</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,362</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,362</u>	<u>0.03</u>

As of December 31, 2024, of the loans with borrowers experiencing financial difficulty that were modified during the preceding 12 months, \$1.4 million was classified as current accrual.

The following table presents details of portfolio loans that were modified during the year ended December 31, 2023, by loan category.

<i>(\$ in thousands)</i>	Quantity of Loans Modified	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Payment Delay and Term Extension	Term Extension and Interest Rate Reduction	Total	% of Total Portfolio Segment
December 31, 2023									
Commercial real estate	2	\$ —	\$ —	\$ 253	\$ —	\$ —	\$ —	\$ 253	0.01 %
Commercial	1	—	—	351	—	—	—	351	0.15
Total	<u>3</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 604</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 604</u>	<u>0.01</u>

During the years ended December 31, 2025 and 2024, there were no defaults on loan modifications made to borrowers experiencing financial difficulty in the preceding 12 months.

Foreclosure Proceedings

The Company had \$124 thousand and \$124 thousand of consumer mortgage loans collateralized by residential real estate property that were in the process of foreclosure as of December 31, 2025 and 2024, respectively. The Company had \$95 thousand and \$554 thousand of commercial real estate loans collateralized by commercial real estate that were in the process of foreclosure as of December 31, 2025 and 2024.

Other Real Estate Owned (“OREO”) and Repossessed Assets

OREO and repossessed assets are adjusted for fair value upon transfer from loans to foreclosed assets, establishing a new cost basis. Subsequently, foreclosed assets are carried at the lower of carrying value or fair value. The Company had OREO and repossessed asset balances of \$113 thousand and \$2.9 million as of December 31, 2025 and \$179 thousand and \$3.3 million as of December 31, 2024, respectively.

Mortgage Servicing Rights (“MSRs”)

Mortgage loans are sold with servicing retained and the MSRs are initially recorded at fair value with the income statement effect recorded in mortgage banking revenue in the consolidated statements of income. Subsequently, the MSRs are amortized to the income statement in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. Servicing rights are evaluated for impairment based upon fair value of the rights as compared to carrying amount. No impairments of MSRs were recognized for the years ended December 31, 2025, 2024 or 2023. The Company recognized net servicing income of \$378 thousand, \$898 thousand and \$866 thousand for the years ended December 31, 2025, 2024 and 2023, respectively. At December 31, 2025, the Company was servicing \$343.8 million in loans for the Federal National Mortgage Association and \$105.6 million in loans for Federal Home Loan Mortgage Corporation.

The following table presents activity in MSRs for the year ended December 31, 2025.

<i>(\$ in thousands)</i>	Year Ended December 31, 2025
Beginning balance	\$ 5,874
Net additions	126
Amortization expense	(528)
Other	(330)
Ending balance	<u>\$ 5,142</u>

The fair value of MSRs were determined using discount rates ranging from 9.0% to 10.0% at December 31, 2025 and 9.0% to 11.0% at December 31, 2024. The valuation on MSRs was not material at December 31, 2025 and 2024. Depending on the stratification of the specific mortgage servicing right, prepayment speeds ranged from 6.11% to 9.56% for the year ended December 31, 2025. The associated weighted-average default rate was 0.20% for the year ended December 31, 2025.

Note 4 – Goodwill and Other Intangible Assets

The following tables provide information on the significant components of goodwill and other acquired intangible assets as of December 31, 2025 and 2024.

<i>(\$ in thousands)</i>	December 31, 2025	
	Goodwill	Core Deposit Intangible
Gross carrying amount	\$ 63,266	\$ 59,151
Accumulated amortization	—	(29,429)
Net carrying amount	<u>\$ 63,266</u>	<u>\$ 29,722</u>

<i>(\$ in thousands)</i>	December 31, 2024	
	Goodwill	Core Deposit Intangible
Gross carrying amount	\$ 63,266	\$ 59,151
Accumulated amortization	—	(20,840)
Net carrying amount	<u>\$ 63,266</u>	<u>\$ 38,311</u>

The aggregate amortization expense for the core deposit intangible was \$8.6 million, \$9.8 million and \$6.1 million for the years ended December 31, 2025, 2024 and 2023, respectively.

As of December 31, 2025, the estimated future remaining amortization for core deposit intangibles within the years ending December 31 is as follows:

<i>(\$ in thousands)</i>	Amortization Expense
2026	\$ 7,398
2027	6,208
2028	5,060
2029	3,980
2030	3,096
Thereafter	3,980
Total amortizing intangible assets	<u>\$ 29,722</u>

Note 5 – Leases

Right-of-use assets represent the Company’s right to use the underlying asset for the lease term and are calculated as the sum of the lease liability and if applicable, prepaid rent, initial direct costs and any incentives received from the lessor. Lease liabilities represent the Company’s obligation to make lease payments and are presented at each reporting date as the net present value of the remaining contractual cash flows. Cash flows are discounted at the Company’s incremental borrowing rate in effect at the commencement date of the lease.

The Company’s long-term lease agreements for branches and offices are classified as operating leases. Certain of these leases offer the option to extend the lease term and the Company has included such extensions in its calculation of the lease liabilities to the extent the options are reasonably certain of being exercised. The lease agreements do not provide for residual value guarantees and have no restrictions or covenants that would impact dividends or require incurring additional financial obligations.

The following tables present information about the Company’s leases as of and for the periods presented.

<i>(\$ in thousands)</i>	December 31, 2025	December 31, 2024
Right-of-use assets	\$ 10,523	\$ 11,385
Lease liabilities	\$ 11,027	\$ 11,844
Weighted-average remaining lease term	8.91 years	10.20 years
Weighted-average discount rate	3.42 %	3.29 %
Remaining lease term – min	0.36 years	0.01 years
Remaining lease term – max	15.68 years	16.68 years

<i>Lease cost (\$ in thousands)</i>	Year Ended December 31,		
	2025	2024	2023
Operating lease cost	\$ 2,009	\$ 1,916	\$ 1,645
Total lease cost	\$ 2,009	\$ 1,916	\$ 1,645
Cash paid for amounts included in the measurement of lease liabilities	\$ 1,954	\$ 1,809	\$ 1,553

The following table presents a maturity analysis of operating lease liabilities and a reconciliation of the undiscounted cash flows to total operating lease liabilities at December 31, 2025.

<i>Lease payments due (\$ in thousands)</i>	December 31, 2025
2026	\$ 2,020
2027	1,869
2028	1,779
2029	1,355
2030	997
Thereafter	4,578
Total undiscounted cash flows	12,598
Less: imputed interest	1,571
Lease liabilities	\$ 11,027

Total gross rental income was \$1.1 million, \$1.1 million and \$1.2 million for the years ended December 31, 2025, 2024 and 2023, respectively.

Note 6 – Premises and Equipment

The following table provides information on premises and equipment as of December 31, 2025 and 2024.

<i>(\$ in thousands)</i>	December 31, 2025	December 31, 2024
Land	\$ 18,266	\$ 18,266
Buildings and land improvements	71,485	71,721
Furniture and equipment	13,604	11,783
Premises and equipment, gross	103,355	101,770
Accumulated depreciation	(23,187)	(19,964)
Premises and equipment, net	\$ 80,168	\$ 81,806

Depreciation expense totaled \$4.4 million, \$4.4 million and \$3.3 million for the years ended December 31, 2025, 2024 and 2023, respectively.

Note 7 – Deposits

Deposits consist of the following categories as of the dates indicated:

<i>(\$ in thousands)</i>	December 31, 2025		December 31, 2024	
	Balance	% of Total Deposits	Balance	% of Total Deposits
Noninterest-bearing deposits	\$ 1,587,953	28.69 %	\$ 1,562,815	28.27 %
Interest-bearing deposits:				
Interest-bearing checking	852,585	15.41	978,076	17.69
Money market and savings	1,814,928	32.80	1,805,884	32.67
Time deposits	1,267,487	22.90	1,181,561	21.37
Brokered deposits	10,911	0.20	—	—
Total interest-bearing	3,945,911	71.31	3,965,521	71.73
Total deposits	\$ 5,533,864	100.00 %	\$ 5,528,336	100.00 %

The Company holds deposits of certain officers, directors and their associates. See Note 19 – “Related Party Transactions” for more information.

The following table provides information on the approximate maturities of total time deposits at December 31, 2025.

<i>(\$ in thousands)</i>	December 31, 2025
Within one year	\$ 1,163,823
Year 2	79,259
Year 3	11,964
Year 4	5,115
Year 5	7,326
Thereafter	—
Total	\$ 1,267,487

The approximate amount of certificates of deposit that exceeded the FDIC insurance limit of \$250,000 or more was \$403.5 million and \$374.1 million at December 31, 2025 and 2024, respectively.

Note 8 – Borrowings

The Company may periodically borrow from a correspondent federal funds line of credit arrangement, under a secured reverse repurchase agreement, or from the FHLB, to meet short-term liquidity needs.

The following table summarizes certain information of the Company’s borrowings as of and for the years ended December 31, 2025 and 2024.

(\$ in thousands)	December 31, 2025		December 31, 2024	
	Amount	Rate	Amount	Rate
Average for the year				
FHLB advances – variable	\$ 602	4.64 %	\$ 37,648	5.66 %
FHLB advances – fixed	42,466	4.85	32,650	4.87
At year end				
FHLB advances – variable	\$ —	— %	\$ —	— %
FHLB advances – fixed ⁽¹⁾	—	—	50,000	4.79

⁽¹⁾ Fixed-rate advance with an option of terminating at predetermined dates, without incurring a prepayment fee.

Securities sold under agreements to repurchase are securities sold to customers, at the customers’ request, under a “roll-over” contract that matures in one business day. The underlying securities sold are U.S. government agency securities, which are segregated in the Company’s custodial accounts from other investment securities.

The Company had \$95.0 million of federal funds lines of credit and a reverse repurchase agreement available on a short-term basis from correspondent banks at December 31, 2025 and 2024. In addition, the Company had secured credit availability of approximately \$754.4 million from the FHLB at December 31, 2025. The Company has pledged as collateral, under a blanket lien, all qualifying residential loans under borrowing agreements with the FHLB. The Company had letters of credit with FHLB of \$33.7 million and \$6.1 million as of December 31, 2025 and 2024, respectively. These letters of credit are used to secure public deposits held with various municipal customers.

The following table summarizes certain information of the Company’s long-term debt as of December 31, 2025 and 2024.

(\$ in thousands)	December 31, 2025	December 31, 2024	Issue Date	Stated Maturity Date	Earliest Call Date	Interest Rate
Subordinated Debentures due September 2030	\$ —	\$ 25,000	2020	2030	2025	5.375% through September 2025, 3-month SOFR* + 5.265% thereafter
Subordinated Debentures due October 2030	—	19,500	2020	2030	2025	4.75% through October 2025, 3-month SOFR + 4.58% thereafter
Subordinated Debentures due November 2035	60,000	—	2025	2035	2030	6.25% through November 2030, 3-month SOFR + 2.88% thereafter
Total subordinated debentures	60,000	44,500				
Severn Capital Trust I	20,619	20,619	2004	2035		3-month SOFR + 2.26%
Tri-County Capital Trust I	7,217	7,217	2004	2034		90-day SOFR + 2.86%
Tri-County Capital Trust II	5,155	5,155	2005	2035		90-day SOFR + 1.96%
Total trust preferred securities	32,991	32,991				
Less: net discount and unamortized issuance costs	(3,930)	(3,774)				
Total long-term debt	\$ 89,061	\$ 73,717				

* Secured Overnight Financing Rate (“SOFR”).

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At December 31, 2025, subordinated debentures consisted of \$60.0 million of long-term debt issued by the Company in November 2025. As of December 31, 2025, the recorded balance of subordinated debt issued by the Company, net of unamortized issuance costs and fair value discounts, was \$58.9 million. The Company has the option to redeem the subordinate notes in part or whole as of November 15, 2030. As of December 31, 2025, 100% of the subordinated debt was considered Tier 2 capital under current regulatory guidelines.

The Company assumed trust preferred securities in the aggregate of \$33.0 million as a result of the merger with TCFC in 2023 and the acquisition of Severn in 2021. Trust preferred securities consisted of \$20.6 million issued by Severn Capital Trust I, \$7.2 million issued by Tri-County Capital Trust I and \$5.2 million issued by Tri-County Capital Trust II. The recorded balance of the junior subordinated debt securities of Severn Capital Trust I at December 31, 2025 was \$19.0 million, net of the unamortized fair value adjustment of \$1.7 million. At December 31, 2025, the junior subordinated debt securities of Tri-County Capital Trust I and Tri-County Capital Trust II had a recorded balance of \$6.7 million and \$4.5 million, respectively, which are presented net of the unamortized fair value adjustments of \$504 thousand and \$661 thousand, respectively. As of December 31, 2025, the entire amount of trust preferred securities debt is considered Tier 2 capital under current regulatory guidelines.

The Company may periodically borrow from a correspondent federal funds line of credit arrangement, under a secured reverse repurchase agreement, or from the Federal Home Loan Bank (“FHLB”) to meet short-term liquidity needs. The Company had no outstanding borrowings from the FHLB at December 31, 2025, and had \$50.0 million outstanding at December 31, 2024. The Company did not have any correspondent federal fund lines at December 31, 2025 and 2024.

Note 9 – Benefit Plans

401(k) and Profit Sharing Plan – The Company has a 401(k) and profit sharing plan covering substantially all full-time employees. The Company currently matches 100% of the first 3% of each employee’s contributions and 50% of the next 2% of each employee’s contributions, each plan year. The Company may also make discretionary contributions based on profits. The Company’s contributions to this plan included in noninterest expense totaled \$2.1 million, \$1.9 million and \$1.7 million for the years ended December 31, 2025, 2024 and 2023, respectively.

Employee Stock Purchase Plan – The Company maintains an employee stock purchase under the Shore Bancshares, Inc. 2025 Employee Stock Purchase Plan (the “ESPP”). The ESPP provides (i) for four offering periods each year and (ii) that the purchase price for shares of the Company’s common stock purchased under the ESPP will be 15% of the lesser of the fair market value of the Company’s common stock on the purchase date or the fair market value of the Company’s common stock on the first day of the offering period. Notwithstanding the foregoing, the compensation committee of the Company’s board of directors may exercise its discretion, subject to certain conditions, to make changes to certain aspects of the ESPP. Participating eligible employees select a rate of payroll deduction of their salary or wage compensation received from the Company as in effect at the start of the offering period, with the aggregate purchase limited to a maximum fair market value of \$25,000 per employee per year. Participation in the ESPP began on July 1, 2025 with the number of shares authorized for issuance fixed at 250,000. The ESPP is intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code.

During the year ended December 31, 2025, an aggregate of 10,793 shares of the Company’s common stock were issued in accordance with the ESPP. Net proceeds from the issuance of these shares were \$142 thousand for the year ended December 31, 2025. As of December 31, 2025, 239,207 shares remained available for purchase under the ESPP.

Employee Stock Ownership Plan – Prior to the closing of the acquisition of TCFC during 2023, TCFC paid into its Employee Stock Ownership Plan (“ESOP”) and adopted resolutions to (i) terminate the ESOP and (ii) provide for full vesting of all account balances in the ESOP. In 2025, the Company received a favorable determination letter from the Internal Revenue Service approving the termination of the ESOP. During 2025, all remaining ESOP assets were distributed to participants in accordance with applicable plan and regulatory requirements.

Note 10 – Stock-Based Compensation

At the Company’s 2025 annual meeting, stockholders approved the Shore Bancshares, Inc. 2025 Equity Incentive Plan (the “2025 Equity Plan”), which replaced the Shore Bancshares, Inc. 2016 Stock and Incentive Plan (“2016 Equity Plan”). Although the 2016 Equity Plan was scheduled to expire in 2026, the Company adopted the 2025 Equity Plan in 2025 due to an insufficient number of shares remaining under the 2016 Equity Plan to permit the company to continue granting equity awards through its expected term. No further awards will be granted under the 2016 Equity Plan, although awards previously granted under the 2016 Equity Plan remain outstanding and continue to be governed by the original terms of the 2016 Equity Plan.

Under the 2025 Equity Plan, the Company may issue incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units and performance stock units. Restricted stock units granted to employees vest in equal installments over a three-year period. Restricted stock units granted to directors vest on the first anniversary of the grant date. Performance stock units vest upon achievement of pre-established performance targets over a three-year performance period. Stock-based compensation expense is measured based on the grant-date fair value of the awards and is recognized ratably over the requisite service period, with forfeitures recognized as they occur. In connection with the adoption of the 2025 Equity Plan, an additional 1,000,000 shares of common stock were reserved for issuance. Together with the 73,967 shares of common stock that remained available for grant under the 2016 Equity Plan, the 2025 Equity Plan provides for an aggregate share reserve of 1,073,967 shares of common stock. As of December 31, 2025, a total of 992,641 shares remained available for future grants under the 2025 Equity Plan. The recipients of restricted stock units do not have any stockholder rights, including voting, dividend, or liquidation rights, with respect to the shares underlying awarded restricted stock units, until the recipient becomes the record holder of those shares.

The Company assumed 3,977 shares of restricted stock and 90,783 restricted stock units at a fair value of \$11.56 per share as a result of the merger with TCFC. The vesting period for the outstanding restricted stock grants is between three to five years. The vesting period for restricted stock units is between one to three years.

The following table presents stock-based compensation expense included in the consolidated statements of income for each of the periods indicated.

(\$ in thousands)	Year Ended December 31,		
	2025	2024	2023
Stock-based compensation expense	\$ 1,890	\$ 1,730	\$ 1,174

The following table presents the total stock-based compensation expense related to unvested awards that has not yet been recognized as of December 31, 2025 and the weighted-average period over which the expense will be recognized.

(\$ in thousands)	At December 31, 2025		
	Restricted Stock	Restricted Stock Units	Performance Stock Units
Unrecognized stock-based compensation expense	\$ 1	\$ 1,770	\$ 784
Weighted-average period unrecognized expense is expected to be recognized	0.2 years	1.5 years	1.9 years

The following table summarizes the Company’s restricted stock, restricted stock unit and performance stock unit activity for the year ended December 31, 2025.

	Restricted Stock		Restricted Stock Units		Performance Stock Units	
	Number of Shares	Weighted-Average Grant Date Fair Value per Share	Number of Shares	Weighted-Average Grant Date Fair Value per Share	Number of Shares	Weighted-Average Grant Date Fair Value per Share
Outstanding at December 31, 2024	51,610	\$ 11.42	135,104	\$ 11.46	43,651	\$ 11.32
Granted	4,480	15.62	133,866	15.57	59,179	15.15
Vested	(51,610)	11.39	(86,320)	11.57	—	—
Forfeited	(1,305)	15.62	(6,244)	13.59	(8,784)	13.30
Outstanding at December 31, 2025	<u>3,175</u>	<u>16.01</u>	<u>176,406</u>	<u>14.45</u>	<u>94,046</u>	<u>13.55</u>

The fair value of restricted stock awards that vested during the years ended December 31, 2025, 2024 and 2023 was \$749 thousand, \$588 thousand, and \$615 thousand, respectively. The fair value of restricted stock units that vested during the years ended December 31, 2025, 2024 and 2023 was \$1.4 million, \$914 thousand and \$178 thousand, respectively. No performance stock unit awards vested during the years ended December 31, 2025, 2024 and 2023.

Note 11 – Derivatives

The Company maintains and accounts for derivatives, in the form of interest rate lock commitments (“IRLCs”) and mandatory forward contracts, in accordance with the FASB guidance on accounting for derivative instruments and hedging activities. The Company recognizes gains and losses through mortgage banking revenue in the consolidated statements of income.

IRLCs on mortgage loans that the Company intends to sell in the secondary market are considered derivatives. The Company is exposed to price risk from the time a mortgage loan is locked in until the time the loan is sold. The period of time between issuance of a loan commitment, closing and sale of the loan generally ranges from 14 days to 120 days, however, this period may be longer for construction to permanent loans that are originated with the intent of selling in the secondary market upon permanent financing. For these IRLCs and closed inventory in loans held for sale, the Company attempts to protect itself from changes in interest rates through the use of to be announced (“TBA”) securities, which are forward contracts, as well as, to a significantly lesser degree, loan level commitments in the form of best efforts and mandatory forward contracts. These assets and liabilities are included in the consolidated balance sheets in other assets and accrued expenses and other liabilities, respectively.

The following table provides information pertaining to the carrying amounts of the Company’s derivative financial instruments as of December 31, 2025 and 2024.

(\$ in thousands)	December 31, 2025		December 31, 2024	
	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
Asset – IRLCs	\$ 6,172	\$ 91	\$ 7,527	\$ 113
Asset – TBA securities	9,750	11	22,100	164
Liability – IRLCs	193	1	—	—
Liability – TBA securities	20,150	59	7,550	23

Note 12 – Deferred Compensation

The Company has multiple deferred compensation agreements with current and former employees. The Deferred Compensation Plan is reserved for members of management and highly compensated employees of the Company and the Bank. The Deferred Compensation Plan permits a participant to elect, each year, to defer receipt of up to 50% of their salary and up to 100% of their bonus to be earned in the following year. The deferred amounts are credited to an account maintained on behalf of the participant and are invested at the discretion of each participant in certain deemed investment options. The actual investments purchased are owned by the Company and held in a Rabbi Trust. The accounts of the Rabbi Trust are consolidated and the investments are included in other assets on the consolidated balance sheets. The Company may also make discretionary contributions for certain participants. A participant is fully vested at all times in the amounts that they elect to defer. Any contributions made by the Company are subject to vesting over a three-year period.

The following table provides information on employer contributions and participant deferrals to the Deferred Compensation Plan and the related deferred compensation liability for the periods presented.

(\$ in thousands)	Year Ended December 31,		
	2025	2024	2023
Employer contributions	\$ 218	\$ 140	\$ 52
Participant elective deferrals	287	276	273
Deferred compensation liability	1,812	1,506	1,576

The Company maintains supplemental executive retirement plans (“SERPs”) for certain current and former executive officers of the Company, CBTC and Severn. The related liability is unfunded; however, bank-owned life insurance was purchased to offset the benefit costs. The following table provides information on the expense recognized during the years ended December 31, 2025, 2024 and 2023, as well as the balance of the unfunded SERP liability and the cash surrender value of policies purchased to offset the SERP benefit costs as of December 31, 2025, 2024 and 2023. The unfunded SERP liability and cash surrender value were included on the consolidated balance sheets in other liabilities and other assets, respectively.

(\$ in thousands)	December 31, 2025	December 31, 2024	December 31, 2023
Cash surrender value	\$ 102,150	\$ 100,517	\$ 98,140
Deferred compensation liability – SERP	13,576	13,349	12,869
SERP expense	1,166	1,050	1,405

In 2016, the Company assumed agreements held by the former Centreville National Bank (“CNB”) under which its former directors had elected to defer part of their fees and compensation while serving on the former board of CNB. The amounts deferred were invested in

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insurance policies on the lives of the respective individuals. Amounts available under the policies are to be paid to the individuals as retirement benefits over future years.

The following table includes information on the deferred compensation liability and cash surrender value as of December 31, 2025 and 2024.

<i>(\$ in thousands)</i>	December 31, 2025	December 31, 2024
Deferred compensation liability	\$ 200	\$ 331
Cash surrender value	1,547	2,257

Note 13 – Accumulated Other Comprehensive Loss

The Company records unrealized holding gains (losses), net of tax, on AFS securities as accumulated other comprehensive income (loss), a separate component of stockholders' equity. The following table provides information on the changes in the component of accumulated other comprehensive income (loss) for the years ended December 31, 2025, 2024 and 2023.

<i>(\$ in thousands)</i>	Year Ended		
	December 31, 2025	December 31, 2024	December 31, 2023
Beginning of period	\$ (7,545)	\$ (7,494)	\$ (9,021)
Other comprehensive income (loss), net of tax	2,952	(51)	1,527
End of period	\$ (4,593)	\$ (7,545)	\$ (7,494)

Note 14 – Income Taxes

In its most recently filed tax year, the Company filed income tax returns in the United States federal jurisdiction and the State of Maryland. With few exceptions, the Company is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2022.

The following table provides information on the components of income tax expense from continuing operations for the years ended December 31, 2025, 2024 and 2023.

<i>(\$ in thousands)</i>	Year Ended December 31,		
	2025	2024	2023
Current income tax expense:			
Federal	\$ 13,870	\$ 4,264	\$ 172
State	4,357	1,681	63
Total current income tax expense	18,227	5,945	235
Deferred income tax expense:			
Federal	536	6,570	1,692
State	386	2,300	1,029
Total deferred income tax expense	922	8,870	2,721
Total income tax expense	\$ 19,149	\$ 14,815	\$ 2,956

The Company did not have pre-tax income from continuing foreign operations or foreign tax expense during the years ended December 31, 2025, 2024 and 2023.

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The following table provides a reconciliation of tax computed at the statutory federal tax rate and the recorded tax expense (in dollars and percentages) for the year ended December 31, 2025, under the provisions of ASU No. 2023-09.

<i>(\$ in thousands)</i>	Year Ended December 31, 2025	
	Amount	Percent
Tax at federal statutory rate	\$ 16,518	21.0 %
State and local income taxes, net of federal tax benefits ⁽¹⁾	3,746	4.7
Tax credits		
Low-income housing ⁽²⁾	(21)	—
Nontaxable or nondeductible items		
Appreciation in cash surrender value of life insurance	(821)	(1.1)
Other	(273)	(0.3)
Actual income tax	\$ 19,149	24.4 %

(1) State taxes in Maryland comprised the majority of the tax effect in this category.

(2) Includes proportional amortization of low income tax credit and other tax benefits.

The following table provides a reconciliation of tax computed at the statutory federal tax rate and the recorded tax expense (in percentages) for the years ended December 31, 2024 and 2023, prior to the adoption of ASU No. 2023-09.

	Year Ended December 31,	
	2024	2023
Tax at federal statutory rate	21.0 %	21.0 %
Tax effect of:		
Tax-exempt income	(1.4)	(3.6)
State and local income taxes, net of federal tax benefits	5.4	6.1
Bargain purchase gain	—	(13.1)
Nondeductible compensation costs	0.1	3.9
Nondeductible merger-related expenses	—	2.6
Other	0.1	3.9
Actual income tax	25.2 %	20.8 %

During the year ended December 31, 2025, the Company made payments to tax authorities for income taxes as set forth in the table below.

<i>(\$ in thousands)</i>	2025
Federal	\$ 13,050
State and local:	
Maryland	2,020
Total taxes paid	\$ 15,070

The following table provides information on significant components of the Company's deferred tax assets and liabilities attributable to continuing operations as of December 31, 2025 and 2024.

<i>(\$ in thousands)</i>	December 31,	
	2025	2024
Deferred tax assets:		
Allowance for credit losses	\$ 15,035	\$ 14,888
Valuation adjustments on OREO and repossessed assets	217	—
Nonaccrual loan interest	691	578
Lease liabilities	2,813	3,035
Deferred compensation	4,084	4,078
State net operating losses	2,834	2,066
Deferred loan fees	2,204	2,078
Acquisition fair value adjustments	20,628	24,988
Unrealized losses on available for sale securities	1,734	2,844
Other	1,432	1,233
Total deferred tax assets	\$ 51,672	\$ 55,788
Deferred tax liabilities:		
Depreciation	\$ 4,042	\$ 4,115
Right-of-use assets	2,685	2,918
Mortgage servicing rights	1,312	1,505
Acquisition fair value adjustments	826	1,651
Intangibles	9,299	11,223
Other	886	575
Total deferred tax liabilities	19,050	21,987
Less: valuation allowance	(2,797)	(1,944)
Net deferred tax assets	\$ 29,825	\$ 31,857

Management of the Company has determined that a full valuation allowance is required for Shore Bancshares' and the Title Company's state deferred tax assets, largely associated with their state net operating losses. As both entities file income tax returns in the state of Maryland on separate entity basis and do not expect to have taxable income in that jurisdiction, it is more likely than not that their state deferred tax assets will not be realized. This valuation allowance increased from \$1.9 million to \$2.8 million during the year ended December 31, 2025. Based on the Company's analysis, no other valuation allowances have been recorded as the Company believes it will have sufficient future taxable income to realize its remaining federal and state deferred tax assets.

The Company has analyzed the tax positions taken or expected to be taken in its income tax returns for the periods ending December 31, 2025 and 2024, and has recorded no liabilities related to uncertain tax positions in accordance with the applicable guidance in ASC 740, *Income Taxes*.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted into law. The OBBBA includes significant provisions, such as the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act and the restoration of favorable tax treatment for certain business tax provisions. The legislation has multiple effective dates, with certain provisions effective in 2025 and others being phased in through 2027. Through December 31, 2025, the OBBBA had not materially impacted the Company's income taxes; however, the Company continues to evaluate the effect the OBBBA will have on the Company's consolidated financial condition and results of operations.

Note 15 – Regulatory Capital Requirements

Banks and bank holding companies are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's

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assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank’s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and Bank to maintain amounts and ratios (set forth in the table below) of common equity Tier 1 (“CET1”), Tier 1 and total capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (leverage ratio). As of December 31, 2025 and 2024, management believes that the Company and the Bank met all capital adequacy requirements to which they were subject.

As of December 31, 2025, the most recent notification from the Bank’s primary regulator categorized the Bank, as “well-capitalized” under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes would change the Bank’s classification. To be categorized as “well-capitalized,” the Bank must maintain minimum CET1, Tier 1 risk-based and total risk-based capital ratios, and Tier 1 leverage ratios, which are outlined in the table below.

The following table presents the capital amounts and ratios for the Company and the Bank as of December 31, 2025 and 2024.

	December 31, 2025		
	Amount	Regulatory Minimum Ratio + Capital Conservation Buffer	To Be Well-Capitalized Under Prompt Corrective Action Regulation ⁽¹⁾
<i>(\$ in thousands)</i>			
Company Amounts			
Common Equity Tier 1 Capital	\$ 510,729	\$ 339,680	N/A
Tier 1 Capital	540,897	412,469	N/A
Total Capital	660,451	509,520	N/A
Risk-Weighted Assets	4,852,573	245,172	N/A
Company Ratios			
Common Equity Tier 1 Capital to Risk-Weighted Assets (“RWA”)	10.52 %	7.00 %	N/A
Tier 1 Capital to RWA	11.15	8.50	N/A
Total Capital to RWA	13.61	10.50	N/A
Tier 1 Capital to AA (Leverage) ⁽²⁾	8.82	4.00	N/A
Bank Amounts			
Common Equity Tier 1 Capital	\$ 569,183	\$ 339,125	\$ 314,902
Tier 1 Capital	569,183	411,794	387,571
Total Capital	629,746	508,687	484,464
Risk-Weighted Assets	4,844,639	244,911	306,139
Bank Ratios			
Common Equity Tier 1 Capital to RWA	11.75 %	7.00 %	6.50 %
Tier 1 Capital to RWA	11.75	8.50	8.00
Total Capital to RWA	13.00	10.50	10.00
Tier 1 Capital to AA (Leverage) ⁽²⁾	9.30	4.00	5.00

(1) Applies to the Bank only.

(2) Tier 1 Capital to Average Assets (Leverage) has no capital conservation buffer defined. The PCA well-capitalized threshold is defined as 5.00%.

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	December 31, 2024		
<i>(\$ in thousands)</i>	Amount	Regulatory Minimum Ratio + Capital Conservation Buffer	To Be Well-Capitalized Under Prompt Corrective Action Regulation ⁽¹⁾
Company Amounts			
Common Equity Tier 1 Capital	\$ 458,258	\$ 339,679	N/A
Tier 1 Capital	488,105	412,468	N/A
Total Capital	591,228	509,519	N/A
Risk-Weighted Assets	4,852,564	243,350	N/A
Company Ratios			
Common Equity Tier 1 Capital to RWA	9.44 %	7.00 %	N/A
Tier 1 Capital to RWA	10.06	8.50	N/A
Total Capital to RWA	12.18	10.50	N/A
Tier 1 Capital to AA (Leverage) ⁽²⁾	8.02	4.00	N/A
Bank Amounts			
Common Equity Tier 1 Capital	\$ 521,453	\$ 339,633	\$ 315,374
Tier 1 Capital	521,453	412,412	388,152
Total Capital	580,706	509,450	485,190
Risk-Weighted Assets	4,851,903	243,102	303,877
Bank Ratios			
Common Equity Tier 1 Capital to RWA	10.75 %	7.00 %	6.50 %
Tier 1 Capital to RWA	10.75	8.50	8.00
Total Capital to RWA	11.97	10.50	10.00
Tier 1 Capital to AA (Leverage) ⁽²⁾	8.58	4.00	5.00

(1) Applies to the Bank only.

(2) Tier 1 Capital to Average Assets (Leverage) has no capital conservation buffer defined. The PCA well-capitalized threshold is defined as 5.00%.

As of December 31, 2025, both the Company and the Bank satisfied the capital conservation buffer requirements applicable to them. The lowest ratio at the Company is the Tier 1 Capital to RWA, which was 5.15% above the minimum buffer ratio, and the lowest ratio at the Bank was the Total Capital to RWA, which was 5.00% above the minimum buffer ratio.

The Company is a separate legal entity from the Bank and must provide for its own liquidity. In addition to its operating expenses, the Company is responsible for paying any dividends declared to its common stockholders and interest and principal on outstanding debt. The Company's primary source of income is dividends received from the Bank. The amount of dividends that the Bank may declare and pay to the Company in any calendar year, without the receipt of prior approval from the OCC, cannot exceed net income for that year to date plus retained net income (as defined) for the preceding two calendar years. As of December 31, 2025, the Bank could pay dividends to the Company to the extent of its current period earnings plus the earnings of the preceding two years, so long as it maintained required capital ratios.

Note 16 – Fair Value Measurements

Accounting guidance under GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This accounting guidance also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities on a recurring basis and to determine fair value disclosures. Available for sale securities and equity securities with readily determinable fair values are recorded at fair value on a recurring basis, along with other mortgage-related items identified in the recurring fair value table below. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as collateral-dependent loans, repossessed assets and OREO (foreclosed assets). These non-recurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

Under fair value accounting guidance, assets and liabilities are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine their fair values. These hierarchy levels are:

- Level 1 inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.
- Level 2 inputs – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 inputs – Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity’s own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Assets Measured at Fair Value on a Recurring BasisAvailable for Sale Securities

Fair value measurement of AFS securities is based on quoted prices from an independent pricing service. The fair value measurements consider observable data that may include present value of future cash flows, prepayment assumptions, credit loss assumptions and other factors. The Company classifies its investments in U.S. Treasury securities, if any, as Level 1 in the fair value hierarchy, and it classifies its investments in U.S. government agency securities and mortgage-backed securities issued or guaranteed by U.S. government-sponsored entities as Level 2.

Equity Securities

Fair value measurement for equity securities is based on quoted market prices retrieved by the Company via online resources. Although these securities have readily available fair market values, the Company determined that they should be classified as level 2 investments in the fair value hierarchy due to not being considered traded in a highly active market.

Loans Held for Sale

Loans held for sale are carried at fair value, which is determined based on Mark to Trade for allocated/committed loans or Mark to Market analysis for unallocated/uncommitted loans based on third-party pricing models (Level 2).

IRLCs

The Company utilizes a third-party specialist model to estimate the fair value of IRLCs, which are valued based upon mortgage securities (TBA) prices less estimated costs to process and settle the loan. Fair value is adjusted for the estimated probability of the loan closing with the borrower (Level 3).

<i>(\$ in thousands)</i>	Fair Value	Valuation Technique	Unobservable Input	Range
December 31, 2025				
IRLCs – net asset	\$ 90	Market Approach	Range of pull through rate Average pull through rate	81% - 100% 98%

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<i>(\$ in thousands)</i>	Fair Value	Valuation Technique	Unobservable Input	Range
December 31, 2024				
IRLCs – net asset	\$ 113	Market Approach	Range of pull through rate	78% - 100%
			Average pull through rate	89%

The following table presents activity in the IRLCs – net asset for the years ended December 31, 2025, 2024 and 2023.

<i>(\$ in thousands)</i>	Year Ended December 31,		
	2025	2024	2023
Beginning balance	\$ 113	\$ 110	\$ 28
Valuation adjustment	(23)	3	82
Ending balance	\$ 90	\$ 113	\$ 110

Forward Contracts

To avoid interest rate risk, the Company hedges the open locked/closed position with TBA forward trades. On a regular basis, the Company allocates disbursed loans to mandatory commitments with government-sponsored enterprises and private investors delivering the loans within 120 days of origination to maximize interest earnings. For a small percentage of business, the Company enters into best efforts forward sales commitments with investors at the time it makes an IRLC to a borrower. Once a loan has been closed and funded, the best efforts commitments convert to mandatory forward sales commitments. The mandatory commitments are derivatives, and the Company measures and reports them at fair value. Fair value is based on the gain or loss that would occur if the Company were to pair-off the transaction with the investor at the measurement date. This is a Level 2 input. The Company has elected to measure and report best efforts commitments at fair value using a valuation methodology similar to that used for mandatory commitments.

Market assumptions utilized in the fair value measurement of the reporting entity's residential mortgage derivatives, inclusive of IRLCs, Closed Loan Inventory, TBA derivative trades, and Mandatory Forwards may be subject to investor overlays that may result in a significantly lower fair value measurement. Generally such overlays are announced with advanced notice in order to include the risk adjuster, however there are times when announcements are mandated resulting in a lower fair value measurement. Additionally market assumptions such as spec pool payups may result in a significantly higher fair value measurement at time of loan allocation to specific trades.

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The following tables present the recorded amount of assets measured at fair value on a recurring basis as of December 31, 2025 and 2024. No assets were transferred from one hierarchy level to another during the years ended December 31, 2025 or 2024.

<i>(\$ in thousands)</i>	Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2025				
Assets:				
Available for sale securities:				
U.S. government agency securities	\$ 20,616	\$ —	\$ 20,616	\$ —
Mortgage-backed securities	195,027	—	195,027	—
Other debt securities	4,715	—	4,715	—
Total available for sale securities	<u>220,358</u>	<u>—</u>	<u>220,358</u>	<u>—</u>
Equity securities	6,186	—	6,186	—
TBA forward trades	11	—	11	—
Loans held for sale	32,540	—	32,540	—
IRLCs	91	—	—	91
Total assets at fair value	<u>\$ 259,186</u>	<u>\$ —</u>	<u>\$ 259,095</u>	<u>\$ 91</u>
Liabilities:				
IRLCs	\$ 1	\$ —	\$ —	\$ 1
TBA forward trades	59	—	59	—
Total liabilities at fair value	<u>\$ 60</u>	<u>\$ —</u>	<u>\$ 59</u>	<u>\$ 1</u>
<i>(\$ in thousands)</i>	Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024				
Assets:				
Available for sale securities:				
U.S. government agency securities	\$ 20,202	\$ —	\$ 20,202	\$ —
Mortgage-backed securities	122,384	—	122,384	—
Other debt securities	6,626	—	6,626	—
Total available for sale securities	<u>149,212</u>	<u>—</u>	<u>149,212</u>	<u>—</u>
Equity securities	5,814	—	5,814	—
TBA forward trades	164	—	164	—
Loans held for sale	19,606	—	19,606	—
IRLCs	113	—	—	113
Total assets at fair value	<u>\$ 174,909</u>	<u>\$ —</u>	<u>\$ 174,796</u>	<u>\$ 113</u>
Liabilities:				
TBA forward trades	\$ 23	\$ —	\$ 23	\$ —
Total liabilities at fair value	<u>\$ 23</u>	<u>\$ —</u>	<u>\$ 23</u>	<u>\$ —</u>

Assets Measured at Fair Value on a Non-recurring Basis

Individually Evaluated Collateral-Dependent Loans

Loans for which repayment is substantially expected to be provided through the operation or sale of collateral are considered collateral dependent and are valued based on the estimated fair value of the collateral, less estimated costs to sell at the reporting date, where applicable. Management utilizes various methods to estimate fair value of the collateral including appraisals, discounted cashflow and automated valuation methods. Accordingly, collateral-dependent loans are classified within Level 3 of the fair value hierarchy.

OREO (Foreclosed Assets)

Foreclosed assets are adjusted for fair value upon transfer of loans to foreclosed assets establishing a new cost basis. Subsequently, foreclosed assets are carried at the lower of carrying value or fair value. The estimated fair value for foreclosed assets included in Level 3 are determined by independent market-based appraisals and other available market information, less costs to sell, that may be reduced further based on market expectations or an executed sales agreement. If the fair value of the collateral deteriorates subsequent to the initial recognition, the Company records the foreclosed asset as a non-recurring Level 3 adjustment. Valuation techniques are consistent with those techniques applied in prior periods.

Reposessed Assets

All reposessed assets are recorded at lower of the estimated fair value of the properties, less expected selling costs, or the carrying amount of the defaulted loans. From time to time, non-recurring fair value adjustments are recorded to reflect partial write-downs based on current appraised value of an asset. The Company considers any valuation inputs related to reposessed assets to be Level 3 inputs. Fair value adjustments for these assets are recorded in other noninterest expense in the consolidated statements of income.

Other Assets Held for Sale

Other assets held for sale are carried at the lower of the carrying amount or fair value. The fair value is determined based on the appraisal value, listing price of the property or collateral provided by independent appraisers, and is adjusted for the estimated costs to sell. Due to the use of significant unobservable inputs, these assets are classified as Level 3 under the fair value hierarchy. Fair value adjustments for these assets are recorded in other noninterest expense in the consolidated statements of income.

The following tables set forth the Company's assets subject to fair value adjustments (impairment) on a non-recurring basis as of December 31, 2025 and 2024 that are valued at lower of cost or market. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Quantitative Information about Level 3 Fair Value Measurements

<i>(\$ in thousands)</i>	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted-Average
December 31, 2025					
Non-recurring measurements:					
Individually-evaluated collateral dependent loans:					
Commercial real estate	\$ 19,696	Appraisal of collateral ⁽¹⁾	Appraisal adjustment ⁽²⁾ Liquidation expense ⁽²⁾	60% - 71% 10%	68% 10%
Residential real estate	520	Appraisal of collateral ⁽¹⁾	Appraisal adjustment ⁽²⁾ Liquidation expense ⁽²⁾	0% 10%	1% 10%
Commercial	—	Appraisal of collateral ⁽¹⁾	Appraisal adjustment ⁽²⁾ Liquidation expense ⁽²⁾	0% 10%	0% 10%
Consumer	—	Appraisal of collateral ⁽¹⁾	Appraisal adjustment ⁽²⁾ Liquidation expense ⁽²⁾	0% 10%	0% 10%
Other real estate owned	113	Appraisal of collateral ⁽¹⁾	Appraisal adjustment ⁽²⁾	N/A	0%
Reposessed assets	2,879	Appraisal of collateral ⁽¹⁾	Appraisal adjustment ⁽²⁾	N/A	60%

Quantitative Information about Level 3 Fair Value Measurements

<i>(\$ in thousands)</i>	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted-Average
December 31, 2024					
Nonrecurring measurements:					
Individually-evaluated collateral dependent loans:					
Commercial real estate	\$ 2,220	Appraisal of collateral ⁽¹⁾	Appraisal adjustment ⁽²⁾ Liquidation expense ⁽²⁾	62% 10%	38% 10%
Residential real estate	817	Appraisal of collateral ⁽¹⁾	Appraisal adjustment ⁽²⁾ Liquidation expense ⁽²⁾	55% - 100% 10%	17% 10%
Commercial	—	Appraisal of collateral ⁽¹⁾	Appraisal adjustment ⁽²⁾ Liquidation expense ⁽²⁾	14% - 100% 10%	0% 10%
Consumer	624	Appraisal of collateral ⁽¹⁾	Appraisal adjustment ⁽²⁾ Liquidation expense ⁽²⁾	80% - 86% 10%	15% 10%
Other real estate owned	179	Appraisal of collateral ⁽¹⁾	Appraisal adjustment ⁽²⁾	N/A	0%
Repossessed assets	3,315	Appraisal of collateral ⁽¹⁾	Appraisal adjustment ⁽²⁾	N/A	39%
Assets held for sale	900	Appraisal of collateral ⁽¹⁾	Appraisal adjustment ⁽²⁾	N/A	0%

(1) Unobservable inputs were weighted by the relative fair value of the instruments. No range is presented only when one instrument was available.

(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range of liquidation expenses and other appraisal adjustments are presented as a percent of the appraisal.

Note 17 – Fair Value of Financial Instruments

Financial instruments require disclosure of fair value information, whether or not recognized in the consolidated balance sheets, when it is practical to estimate the fair value. A financial instrument is defined as cash, evidence of an ownership interest in an entity or a contractual obligation which requires the exchange of cash. Certain items are specifically excluded from the financial instrument fair value disclosure requirements, including the Company's common stock, OREO, repossessed assets, premises and equipment and other assets and liabilities.

The following tables present the carrying amounts and estimated fair values of the Company's financial instruments as of December 31, 2025 and 2024. Fair values for December 31, 2025 and 2024 were estimated using an exit price notion.

December 31, 2025 <i>(\$ in thousands)</i>	Carrying Amount	Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
Assets					
Cash and cash equivalents	\$ 355,566	\$ 355,566	\$ 355,566	\$ —	\$ —
Available for sale securities	220,358	220,358	—	220,358	—
Held to maturity securities	414,827	378,116	—	378,116	—
Equity securities	6,186	6,186	—	6,186	—
Restricted securities	17,989	N/A	—	N/A	—
Loans held for sale	32,540	32,540	—	32,540	—
TBA securities	11	11	—	11	—
Loans held for investment, at amortized cost, net	4,841,466	4,767,143	—	—	4,767,143
Mortgage servicing rights	5,142	5,861	—	5,861	—
Accrued interest receivable	18,551	18,551	—	18,551	—
IRLCs	91	91	—	—	91
Liabilities					
Deposits:					
Noninterest-bearing	\$ 1,587,953	\$ 1,587,953	\$ —	\$ 1,587,953	\$ —
Interest-bearing checking	852,585	852,585	—	852,585	—
Money market and savings	1,814,928	1,814,928	—	1,814,928	—
Time deposits	1,267,487	1,265,740	—	1,265,740	—
Brokered deposits	10,911	10,923	—	10,923	—
FHLB advances	—	—	—	—	—
TRUPS	30,168	29,586	—	29,586	—
Subordinated debt	58,893	58,064	—	58,064	—
TBA Securities	59	59	—	59	—
Accrued interest payable	2,977	2,977	—	2,977	—
IRLCs	1	1	—	—	1

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December 31, 2024

(\$ in thousands)	Carrying Amount	Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
Assets					
Cash and cash equivalents	\$ 459,851	\$ 459,851	\$ 459,851	\$ —	\$ —
Available for sale securities	149,212	149,212	—	149,212	—
Held to maturity securities	481,077	424,734	—	424,734	—
Equity securities	5,814	5,814	—	5,814	—
Restricted securities	20,253	20,253	—	20,253	—
Loans held for sale	19,606	19,606	—	19,606	—
TBA securities	164	164	—	164	—
Loans held for investment, at amortized cost, net	4,714,078	4,561,449	—	—	4,561,449
Mortgage servicing rights	5,874	5,874	—	5,874	—
Accrued interest receivable	19,570	19,570	—	19,570	—
IRLCs	113	113	—	—	113
Liabilities					
Deposits:					
Noninterest-bearing	\$ 1,562,815	\$ 1,562,815	\$ —	\$ 1,562,815	\$ —
Interest bearing checking	978,076	978,076	—	978,076	—
Money market and savings	1,805,884	1,805,884	—	1,805,884	—
Time deposits	1,181,561	1,179,716	—	1,179,716	—
Brokered deposits	—	—	—	—	—
FHLB advances	50,000	50,201	—	50,201	—
TRUPS	29,847	27,952	—	27,952	—
Subordinated debt	43,870	43,669	—	43,669	—
TBA securities	23	23	—	23	—
Accrued interest payable	3,398	3,398	—	3,398	—

Note 18 – Commitments and Contingencies

In the normal course of business, to meet the financial needs of its customers, the Company is a party to financial instruments with off-balance sheet risk. These financial instruments include commitments to extend credit and standby letters of credit. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Letters of credit and other commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the letters of credit and commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. Commitments to make loans are generally made for a period of 90 days or less.

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The following table provides information on commitments outstanding as of December 31, 2025 and 2024.

<i>(\$ in thousands)</i>	December 31, 2025	December 31, 2024
Commitments to extend credit		
Fixed	\$ 209,737	\$ 261,794
Variable	503,713	497,686
Total commitments to extend credit	\$ 713,450	\$ 759,480
Letters of credit		
Fixed	\$ 6,495	\$ 8,980
Variable	17,830	18,981
Total letters of credit	\$ 24,325	\$ 27,961
Total commitments outstanding	\$ 737,775	\$ 787,441

The Company had a reserve for off-balance sheet credit exposures of \$2.0 million and \$1.1 million as of December 31, 2025 and 2024, respectively. The reserve was estimated based on current expected credit losses to be experienced by the Company. Losses are charged against the allowance when management believes the required funding of these exposures is uncollectible. While this evaluation is completed on a regular basis, it is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

In the normal course of business, the Company may become involved in litigation arising from banking, financial and other activities. Management, after consultation with legal counsel, does not anticipate that the future liability, if any, arising out of current proceedings will have a material effect on the Company's financial condition, operating results or liquidity.

Note 19 – Related Party Transactions

In the normal course of banking business, loans are made to officers, directors and their affiliated interests. These loans are made on substantially the same terms and conditions as those prevailing at the time for comparable transactions with persons who are not related to the Company and are not considered to involve more than the normal risk of collectability. As of December 31, 2025 and 2024, such loans outstanding, both direct and indirect (including guarantees), to directors, their associates and policy-making officers, totaled approximately \$45.1 million and \$54.3 million, respectively. During the years ended December 31, 2025 and 2024, loan additions were approximately \$4.4 million and \$8.2 million, respectively, and loan repayments and no longer reportable loans were approximately \$18.5 million and \$7.3 million, respectively. The Company held both direct and indirect deposit accounts on behalf of its executive officers, directors, their associates, and policy-making officers. None of the related-party deposit accounts were overdrawn, and the Bank did not maintain any compensating balance arrangements for these related parties during the years ended December 31, 2025 and 2024.

The Company leases a portion of one of its facilities to a law firm in which the Chairman of the Board of the Company and the Bank is a partner. In January 2022, the lease entered the final five-year renewal option under the leasing agreement. The total rent payments received were \$324 thousand, \$318 thousand and \$311 thousand for the years ended December 31, 2025, 2024 and 2023. The law firm also reimburses the Company for its share of common area maintenance and utilities. In addition, the law firm represents the Company and the Bank in certain legal matters.

The Company leases its Fredericksburg, Virginia lending center from an entity in which director Michael B. Adams is a 25% owner and managing member. The current lease term expires on November 30, 2028. Shore United Bank paid this entity \$108 thousand, \$105 thousand and \$51 thousand during the years ended December 31, 2025, 2024 and 2023, respectively. Mr. Adams is also the 100% owner and president of an entity to which the Company pays monthly fees in connection with common area maintenance for the Virginia lending center. The Company paid this entity \$12 thousand, \$12 thousand and \$6 thousand during the years ended December 31, 2025, 2024 and 2023, respectively.

Consulting Agreement

On October 31, 2021, Shore United Bank entered into a Consulting Agreement with Alan J. Hyatt in connection with the company's acquisition of Severn Bancorp, Inc., of which Mr. Hyatt was the Chairman, President and Chief Executive Officer. Under the terms of the Consulting Agreement, which terminates on October 31, 2026, Mr. Hyatt provides consulting services consisting of assisting us in business introductions, business development calls and business referrals; attending community functions sponsored by us; and assisting in any other matters or duties management may request. In consideration of the consulting services, Mr. Hyatt receives an annual fee of \$150 thousand payable in equal monthly installments.

Note 20 – Earnings per Common Share

Basic earnings per common share is calculated by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share is calculated by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents (stock-based awards). The following table provides information relating to the calculation of earnings per common share for the years ended December 31, 2025, 2024 and 2023.

<i>(\$ in thousands, except per share data)</i>	Year Ended December 31,		
	2025	2024	2023
Net income	\$ 59,506	\$ 43,889	\$ 11,228
Average number of common shares outstanding	33,392,817	33,267,328	26,572,217
Dilutive effect of common stock equivalents	14,338	17,828	1,893
Average number of common shares used to calculate diluted EPS	33,407,155	33,285,156	26,574,110
Anti-dilutive shares	—	—	—
Basic net income per common share	\$ 1.78	\$ 1.32	\$ 0.42
Diluted net income per common share	\$ 1.78	\$ 1.32	\$ 0.42

There were zero anti-dilutive unvested restricted stock and performance stock unit awards excluded from the calculation of diluted earnings per common share for the years ended December 31, 2025, 2024 and 2023, respectively.

Note 21 – Revenue Recognition

Topic 606 is applicable to noninterest revenue streams such as trust and asset management income, deposit related fees, interchange fees and merchant income. Noninterest revenue streams in-scope of Topic 606 are discussed below. Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities.

Service Charges on Deposit Accounts

Service charges on deposit accounts consist of account analysis fees (i.e., net fees earned on analyzed business and public checking accounts), monthly service fees, check orders, and other deposit account related fees. The Company's performance obligation for account analysis fees and monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided.

Check orders and other deposit account-related fees are largely transactional based, and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or at the end of the month through a direct charge to customers' accounts.

Trust and Investment Fee Income

Trust and investment fee income is primarily comprised of fees earned from the management and administration of trusts and other customer assets. The Company's performance obligation is generally satisfied over time, and the resulting fees are recognized monthly, based upon the month-end market value of the assets under management and the applicable fee rate. Payment is generally received a few days after month end through a direct charge to customers' accounts. The Company does not earn performance-based incentives.

Optional services such as real estate sales and tax return preparation services are also available to existing trust and asset management customers. The Company's performance obligation for these transactional-based services is generally satisfied, and related revenue recognized, at a point in time (i.e., as incurred). Payment is received shortly after services are rendered.

Other Noninterest Income

Other noninterest income consists of fees, exchange, other service charges, safety deposit box rental fees, and other miscellaneous revenue streams. Fees and other service charges are primarily comprised of debit and credit card income, automated teller machine ("ATM") fees, merchant services income, and other service charges. Debit and credit card income is primarily comprised of interchange fees earned whenever the Company's debit and credit cards are processed through card payment networks such as Mastercard and Visa. ATM fees are primarily generated when a Company cardholder uses a third-party ATM or a non-Company cardholder uses a Company ATM. Merchant services income mainly represents fees charged to merchants to process their debit and credit card transactions, in addition to account

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management fees. Other service charges include revenue from processing wire transfers, bill pay service, cashier's checks, and other services. The Company's performance obligation for fees, exchange, and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month. Safe deposit box rental fees are charged to the customer on an annual basis and recognized upon receipt of payment.

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the years ended December 31, 2025, 2024 and 2023.

(\$ in thousands)	Year Ended December 31,		
	2025	2024	2023
Noninterest income			
<i>In-scope of Topic 606:</i>			
Service charges on deposit accounts	\$ 6,295	\$ 6,149	\$ 5,501
Trust and investment fee income	3,705	3,367	3,608
Interchange income	7,085	6,741	5,714
Other noninterest income	3,768	4,653	3,512
Noninterest income (in-scope of Topic 606)	20,853	20,910	18,335
Noninterest income (out-of-scope of Topic 606)	11,835	10,237	14,824
Total noninterest income	\$ 32,688	\$ 31,147	\$ 33,159

Contract Balances

A contract asset balance occurs when an entity performs a service for a customer before the customer pays consideration (resulting in a contract receivable) or before payment is due (resulting in a contract asset). A contract liability balance is an entity's obligation to transfer a service to a customer for which the entity has already received payment (or payment is due) from the customer. The Company's noninterest revenue streams are largely based on transactional activity, or standard month-end revenue accruals such as asset management fees based on month-end market values. Consideration is often received immediately or shortly after the Company satisfies its performance obligation and revenue is recognized. The Company does not typically enter into long-term revenue contracts with customers, and therefore, does not experience significant contract balances. As of December 31, 2025 and 2024, the Company did not have any significant contract balances.

Note 22 – Parent Company Financial Information

The following tables provide condensed financial information for Shore Bancshares, Inc. (Parent Company only).

**SHORE BANCSHARES, INC. (PARENT COMPANY ONLY)
CONDENSED BALANCE SHEETS**

<i>(\$ in thousands)</i>	December 31, 2025	December 31, 2024
ASSETS		
Cash	\$ 21,654	\$ 5,257
Investment in subsidiaries	648,599	605,286
Other assets	11,885	9,289
TOTAL ASSETS	\$ 682,138	\$ 619,832
LIABILITIES		
Accrued interest payable	\$ 839	\$ 1,027
Deferred tax liability	140	251
Other liabilities	2,225	3,771
Long-term debt	89,061	73,717
TOTAL LIABILITIES	92,265	78,766
STOCKHOLDERS' EQUITY		
Common stock	334	333
Additional paid-in capital	360,554	358,112
Retained earnings	233,578	190,166
Accumulated other comprehensive loss	(4,593)	(7,545)
TOTAL STOCKHOLDERS' EQUITY	589,873	541,066
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 682,138	\$ 619,832

SHORE BANCSHARES, INC. (PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF INCOME

<i>(\$ in thousands)</i>	Year Ended December 31,		
	2025	2024	2023
INCOME			
Dividends from subsidiaries	\$ 26,000	\$ 17,000	\$ 22,000
Company owned life insurance income	184	206	141
Bargain purchase gain	—	—	8,816
TOTAL INCOME	26,184	17,206	30,957
EXPENSES			
Interest expense	6,359	5,768	4,454
Salaries and employee benefits	408	598	358
Legal and professional fees, including merger expenses	1,929	1,636	5,164
Other operating expenses	890	1,032	776
TOTAL EXPENSES	9,586	9,034	10,752
Income before income tax benefit and equity (deficit) in undistributed net income of subsidiaries	16,598	8,172	20,205
Income tax benefit	(2,047)	(1,678)	(1,557)
Income before equity (deficit) in undistributed net income of subsidiaries	18,645	9,850	21,762
Equity (deficit) in undistributed net income of subsidiaries	40,861	34,039	(10,534)
NET INCOME	\$ 59,506	\$ 43,889	\$ 11,228

SHORE BANCSHARES, INC. (PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF CASH FLOWS

<i>(\$ in thousands)</i>	Year Ended December 31,		
	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 59,506	\$ 43,889	\$ 11,228
Adjustments to reconcile net income to cash provided by operating activities:			
Equity in undistributed net income of subsidiaries	(40,861)	(34,039)	10,534
Bargain purchase gain	—	—	(8,816)
Amortization of debt issuance costs	119	122	122
Stock-based compensation expense	1,890	1,730	1,174
Company owned life insurance income	(183)	(208)	(141)
Acquisition accounting adjustments	865	926	557
Net increase in other assets	(2,104)	(957)	(1,267)
Net (decrease) increase in other liabilities	(1,374)	2,284	(682)
Net cash provided by operating activities	17,858	13,747	12,709
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of company owned life insurance	(309)	(198)	(249)
Return of subsidiary investment	500	—	—
Cash acquired in the acquisition of TCFC, net of cash paid	—	—	88
Net cash used in investing activities	191	(198)	(161)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of subordinated debt, net of issuance costs	58,860	—	—
Redemption of subordinated debt	(44,500)	—	—
Common stock dividends paid	(16,094)	(16,013)	(12,733)
Issuance of common stock	82	376	385
Net cash used in financing activities	(1,652)	(15,637)	(12,348)
Net increase (decrease) in cash and cash equivalents	16,397	(2,088)	200
Cash and cash equivalents at beginning of year	5,257	7,345	7,145
Cash and cash equivalents at end of year	\$ 21,654	\$ 5,257	\$ 7,345

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As required by SEC rules, the Company's management evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as define Exchange Act Rules 13a-15(f) and 15d-15(f)) as of December 31, 2025. The Company's chief executive officer and chief financial officer participated in the evaluation. Based on this evaluation, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures as of December 31, 2025 were effective.

Management's annual report on internal control over financial reporting is located on page 55 of this report.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as such term is defined by Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the year ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. OTHER INFORMATION

Rule 10b5-1 Trading Plans

During the quarter ended December 31, 2025, no officer or director of the Company adopted or terminated any contract, instruction, or written plan for the purchase or sale of securities of the Company's common stock that is intended to satisfy the affirmative defense conditions of Securities Exchange Act Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement as defined in 17 CFR § 229.408(c).

Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The Company has adopted a Code of Ethics that applies to all of its directors, officers, and employees, including its principal executive officer, principal financial officer, principal accounting officer, or controller, or persons performing similar functions. Our Code of Ethics is available on our corporate website at www.shorebancshares.com under the "Governance Documents" link. If we make any substantive amendments to the Code of Ethics or grant any waiver that applies to one of our senior financial officers or a member of the Board, we will disclose the nature of the amendments or waiver on our website or in a current report on Form 8-K.

The Company has adopted an insider trading policy applicable to its directors, officers and employees governing the purchase, sale and other dispositions of the Company's securities. The Company believes that the insider trading policy is reasonably designed to promote compliance with applicable U.S. federal securities laws and the listing standards of the Nasdaq Stock Market relating to insider trading. The insider trading policy is filed as Exhibit 19 to this report.

The information required by this item and not included herein is incorporated by reference to our definitive Proxy Statement for our 2026 Annual Meeting of Stockholders (the "Proxy Statement"), which will be filed with the SEC within 120 days after the end of the Company's fiscal year ended December 31, 2025.

Information regarding executive officers is included under the caption "Executive Officers" on page 12 of this report.

Item 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to our Proxy Statement, which will be filed with the SEC within 120 days after the end of the Company's fiscal year.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

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The information required by this Item is incorporated by reference to our Proxy Statement, which will be filed with the SEC within 120 days after the end of the Company's fiscal year.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated herein by reference to our Proxy Statement to be filed with the SEC within 120 days after the end of the Company's fiscal year.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by reference to our Proxy Statement, which will be filed with the SEC within 120 days after the end of the Company's fiscal year.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1), (2) and (c) Financial statements and schedules:

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(a)(3) and (b) Exhibits required to be filed by Item 601 of Regulation S-K:

The exhibits filed or furnished with this annual report are shown on the Exhibit Index that follows the signatures to this annual report, which index is incorporated herein by reference.

Item 16. FORM 10-K SUMMARY

None.

EXHIBIT LIST

Exhibit No.	Description	Where Filed
3.1(a)	Amended and Restated Articles of Incorporation	Incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed on December 14, 2000
3.1(b)	Articles of the Amendment of Amended and Restated Articles of Incorporation	Incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed on July 3, 2023
3.2	Third Amended and Restated By-Laws	Incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed on June 5, 2024
4.1	Description of Registrant's Securities	Incorporated by reference to Exhibit 4.1 of the Company's Form 10-K filed on March 15, 2024
4.2	Form of Common Stock Certificate	Incorporated by reference to Exhibit 4.1 of the Company's Form S-3 filed on June 25, 2010
10.1(a)*	Shore Bancshares, Inc. 2016 Stock and Incentive Compensation Plan	Incorporated by reference to Appendix A of the Company's 2016 definitive proxy statement filed on March 15, 2016
10.1(b)*	Form of Restricted Stock Award Agreement under the 2016 Stock and Incentive Compensation Plan	Incorporated by reference to Exhibit 10.7 to the Company's Form 10-K filed on March 13, 2020
10.1(c)*	Form of Restricted Stock Units Award under the 2016 Stock and Incentive Compensation Plan	Incorporated by reference to Exhibit 10.8 to the Company's Form 10-K filed on March 13, 2020
10.2(a)*	Shore Bancshares, Inc. 2025 Equity Incentive Plan	Incorporated by reference to Appendix A to the Company's 2025 definitive proxy statement filed on April 15, 2025
10.2(b)*	Form of Time-based Restricted Stock Unit Agreement	Incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-8 (File No. 333-287797)
10.2(c)*	Form of Performance Stock Unit Agreement	Incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-8 (File No. 333-287797)
10.2(d)*	Form of Restricted Stock Award Agreement	Incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-8 (File No. 333-287797)
10.2(e)*	Form of Restricted Stock Unit Agreement (Director)	Incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-8 (File No. 333-287797)
10.3(a)*	2019 Deferred Compensation Plan	Incorporated by reference to Exhibit 10.16 to the Company's Form 10-K filed on March 13, 2020
10.3(b)*	First Amendment to the Shore Bancshares, Inc. Deferred Compensation Plan	Filed herewith
10.4*	Consulting Agreement, dated as of October 31, 2021, by and between Alan J. Hyatt and Shore United Bank	Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on November 1, 2021
10.5*	The Community Financial Corporation 2015 Equity Compensation Plan (as assumed by the Company effective July 3, 2023)	Incorporated by reference to Appendix A in the Definitive Proxy Statement of The Community Financial Corporation (SEC File No. 001-36094) filed with on March 25, 2015
10.6(a)*	Shore Bancshares, Inc. Change in Control Severance Plan	Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on December 17, 2025
10.6(b)*	Form of Participation Agreement for Change in Control Severance Plan	Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on December 17, 2025
10.7*	Split-dollar Life Insurance Agreement with James M. Burke	Incorporated by reference to Exhibit 10.38 to the Form 10-K of The Community Financial Corporation (SEC File No. 001-36094) filed on March 10, 2016
10.8*	Salary Continuation Agreement between James M. Burke and Community Bank of the Chesapeake, dated August 21, 2006, and amended and restated in its entirety on April 30, 2018	Incorporated by reference to Exhibit 10.10 to the Form 10-Q of The Community Financial Corporation (SEC File No. 001-36094) filed on May 10, 2018

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Exhibit No.	Description	Where Filed
10.9*	Amended and Restated Supplemental Executive Retirement Plan Agreement, dated January 1, 2011, First Amendment to the Supplemental Executive Retirement Plan dated January 1, 2011, and amended and restated on April 30, 2018, with James M. Burke	Incorporated by reference to Exhibit 10.15 to the Form 10-Q of The Community Financial Corporation (SEC File No. 001-36094) filed on May 10, 2018
10.10*	Amended and Restated Supplemental Executive Retirement Plan agreement, dated November 1, 2014, as amended and restated on April 30, 2018, with James M. Burke	Incorporated by reference to Exhibit 10.20 to the Form 10-Q of The Community Financial Corporation (SEC File No. 001-36094) filed on May 10, 2018
10.11*	Amended and Restated Supplemental Executive Retirement Plan agreement, dated November 1, 2014, as amended and restated on April 30, 2018, with Christy Lombardi	Incorporated by reference to Exhibit 10.23 to the Form 10-Q of The Community Financial Corporation (SEC File No. 001-36094) filed on May 10, 2018
10.12(a)*	Supplemental Executive Retirement Plan for Donna J. Stevens	Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed on July 25, 2019
10.12(b)*	First Amendment to Supplemental Executive Retirement Plan for Donna J. Stevens	Incorporated by reference to Exhibit 10.22 to the Company's Form 10-K filed on March 10, 2025
10.13*	Split Dollar Life Insurance Agreement with Donna J. Stevens dated August 26, 2019	Filed herewith
10.14*	Endorsement Method Split Dollar Plan Agreement 2014 with Christy Lombardi	Filed herewith
10.15*	Endorsement Method Split Dollar Plan Agreement with Christy Lombardi	Filed herewith
19	Insider Trading Policy	Filed herewith
21	Subsidiaries of the Company (included in the "BUSINESS—General" section of Item 1 of Part I of this Annual Report on Form 10-K)	
23.1	Consent of Crowe LLP	Filed herewith
23.2	Consent of Yount, Hyde & Barbour, P.C.	Filed herewith
31.1	Certifications of the PEO pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith)	Filed herewith
31.2	Certifications of the PFO pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith)	Filed herewith
32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith)	Filed herewith
97	Shore Bancshares, Inc. Clawback Policy	Incorporated by reference to Exhibit 97.0 of the Company's Form 10-K filed on March 15, 2024
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)	
101.SCH	Inline XBRL Taxonomy Extension Schema	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase	
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)	

*Management contract or compensatory plan or arrangement filed pursuant to Item 15(b) of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SHORE BANCSHARES, INC.

Date: March 2, 2026

By: /s/ James M. Burke

James M. Burke

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ James M. Burke

James M. Burke

Director, President, and Chief Executive Officer

(Principal Executive Officer)

March 2, 2026

/s/ David S. Jones

David S. Jones, Director

March 2, 2026

/s/ Charles S. Cullum

Charles S. Cullum

Executive Vice President & Chief Financial Officer

(Principal Financial Officer)

March 2, 2026

/s/ Clyde V. Kelly, III

Clyde V. Kelly, III, Director

March 2, 2026

/s/ John A. Lamon, III

John A. Lamon, Director

March 2, 2026

/s/ Alan J. Hyatt

Alan J. Hyatt, Chairman of the Board

March 2, 2026

/s/ Rebecca Middleton McDonald

Rebecca Middleton McDonald, CPA, Director

March 2, 2026

/s/ Austin J. Slater, Jr.

Austin J. Slater, Jr., Vice Chair & Lead Independent

Director

March 2, 2026

David W. Moore, Director

March 2, 2026

/s/ Michael B. Adams

Michael B. Adams, Director

March 2, 2026

/s/ E. Larry Sanders, III

E. Larry Sanders, III, Director

March 2, 2026

/s/ R. Michael Clemmer, Jr.

R. Michael Clemmer, Jr., Director

March 2, 2026

/s/ Esther A. Streete

Esther A. Streete, Director

March 2, 2026

/s/ William E. Esham, III

William E. Esham, Director

March 2, 2026

/s/ Konrad M. Wayson

Konrad M. Wayson, Director

March 2, 2026

/s/ Louis P. Jenkins, Jr.

Louis P. Jenkins, Jr., Director

March 2, 2026

/s/ Dawn M. Willey

Dawn M. Willey, Director

March 2, 2026